

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

**Incurred Cost Audit
Balfour Beatty Construction,
LLC.**

Contract No. 4400011969



26-1004

December 4, 2025

Sue Stengel

Inspector General





Los Angeles Unified School District Office of the Inspector General

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Inspector General

December 4, 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: Balfour Beatty Construction, LLC.
Contract No. 2310035/4400011969

Dear Mr. Friedman:

This is our final audit report on the examination of Balfour Beatty Construction, LLC - Contract No. 4400011969.

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: 2025.12.04 07:42:10 -0800

Josh Margraf, CIA, CFE, CISA
Assistant Inspector General

Sue Stengel

Digitally signed by Sue Stengel
DN: cn=Sue Stengel, o=CIG, ou=CIG,
email=sue.stengel@lausd.net, c=US
Date: 2025.12.04 12:56:51 -0800

Sue Stengel, Esq., CIG
Inspector General

c: Krisztina Tokes, Chief Facilities Executive
Andrea Reyes, Special Assistant to Chief Facilities Executive
Jorge Ballardo, Deputy Chief Procurement Officer
Cheri Thomas, Principal Analyst
Ivory King, Procurement Policy Officer
Dana Greer, Deputy Chief Procurement Officer
Lissette Pacheco, Principal Administrative Analyst

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Audit of Balfour Beatty Construction, LLC.
Contract No.
4400011969

EXECUTIVE SUMMARY

The Office of the Inspector General examined Contract No. 4400011969 (Contract) awarded to Balfour Beatty Construction, LLC. (BBC) for a defined portion of the Hamilton High School Comprehensive Modernization Project, including construction of athletic facilities and providing the first phase of interim housing, as described in the introduction below.¹ The review assessed BBC's invoiced costs, completion of contract deliverables, and the District's administration of change orders, with the goal of supporting transparency and accountability in contract execution. The majority of the Comprehensive Modernization Project has been awarded to Hensel Phelps Construction Co. (Hensel Phelps), which was not part of this contract or examination. Thus, the absence of findings should not be interpreted as an overall assessment of the entire modernization project.

Key Conclusions:

- BBC invoiced a total of \$52,351,604 as of April 30, 2025, which represented 90% of the 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).²
- BBC completed the scope of work in accordance with the Contract. Completion was confirmed through review of the daily reports maintained by the Project Inspector, an on-site walkthrough and photographs.³
- The District issued 175 change orders under the Contract with a combined value of \$1,187,819, increasing the contract value from \$56,762,682 to \$57,950,501 (2.1% increase). A sample of 62 change orders (totaling \$420,617, or 35% of the total value of change orders) was reviewed and found to be awarded according to Facilities Services Division's (FSD) policies and procedures.

INTRODUCTION

On August 24, 2023, the District executed Contract No. 4400011969 with Balfour Beatty Construction, LLC (BBC), for a defined portion of the Hamilton High School Comprehensive Modernization Project. The contract scope for BBC's portion of the modernization project involved constructing a new stadium and athletic facilities, including home and visitor bleachers, a grass turf athletic field, a synthetic track, field lighting, a press box, three restrooms, concessions, and ticket buildings. It also included relocating the continuation school's garden, building a new parking lot with associated utilities and paving, installing a new LA Department of Water and Power (LADWP) utility yard with related utility connections, and providing the first phase of interim housing with classrooms, restroom buildings, a locker room, temporary lunch shelters, and a kitchen with a scramble area.

¹ [Contract 4400011969](#).

² 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.

³ The Project Inspector completes daily reports to document their observations of project activities and/or events.

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The Contract's original amount was \$56,762,682. During construction, the District issued 175 change orders totaling \$1,187,819 to BBC, increasing the contract value by 2.1% to \$57,950,501.⁴

The completed examination was limited to Contract 4400011969 with BBC for the scope and objectives listed below. Therefore, this report does not opine on any other part of the modernization project or on work completed or to be completed by any other contractors, including, but not limited to, Hensel Phelps.⁵

SCOPE AND OBJECTIVES

This examination specifically focused on Contract 4400011969 with BBC and covered the scope of work billed and completed by BBC through April 30, 2025.

The objectives of our examination were to determine whether:

Objective 1: The scope of work's completion was approved by the District and adequately documented.

Objective 2: Billed amounts were adequately supported, allowable, and in accordance with contract terms and conditions.

Objective 3: Contract change orders were properly approved and adequately documented.

METHODOLOGY

To accomplish our objectives, we performed the following procedures:

- Interviewed the project's Owner Authorized Representative (OAR) to obtain an understanding of the Contract's scope of work and the status of BBC's portion of the modernization project.⁶
- Interviewed BBC's management about their internal controls and business operations.
- Examined payment applications to ensure that District personnel reviewed and approved them. This included a review of the project's SOV, the percentage of completion, and the amount billed

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 District entered into [Contract 2510182](#) with Hensel Phelps for \$423,850,000. The work, which includes, but is not limited to, the construction of new buildings, construction of a new softball field, renovation of the cafeteria, and development of a new campus quad, is scheduled to begin in December 2025 and be completed in 2031.

⁶ The Owner Authorized Representative (OAR) is the designated authorized representative of the owner who administers the contract.

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for each line item of work, as well as the total retainage for each Application for Payment submitted to the District.⁷

- Reviewed District policies and procedures for approving and issuing change orders.
- Verified the following:
 - Project change order packages were properly authorized by the District representative(s).
 - Proposed amounts were supported by a district-prepared Fair Cost Estimate and a contractor cost proposal.⁸
 - Final negotiated costs were justified based on the required scope of work.
- Reviewed inspection reports to substantiate the progress claimed on the payment applications.
- Reviewed approved change orders to verify that the correct bond cost was charged based on the contractor's actual project bond rate.
- Interviewed Project Execution staff/management regarding the District's best value contract bid/award.
- Conducted a site visit at Hamilton High School with the project's OAR to verify that construction was completed according to the modernization project's scope of work.

RESULTS

1. Billing and Completion of Scope of Work

The amounts billed by BBC were determined to be adequately supported and allowable according to the Contract's terms and conditions in all material respects, and BBC completed the Contract's scope of work.

⁷ Application for Payment is a formal request submitted by a contractor for compensation based on the value of labor, materials, and work completed during a specified billing period, including supporting documentation as required by the contract.

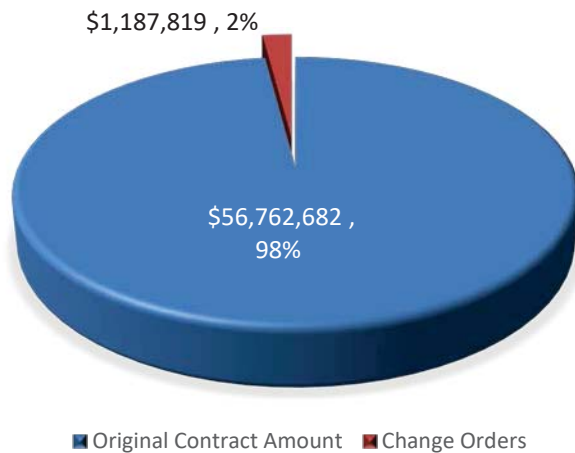
⁸ A Fair Cost Estimate is a separate, independent estimate of the cost and time impact of the proposed change order prepared by the OAR, Project Estimator, or the Estimating Unit.

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Contract Billing and Change Orders

The original budget for the project was \$56,762,682. From contract inception through April 30, 2025, the District issued 175 change orders totaling \$1,187,819, increasing the contract value to \$57,950,501. This increase represented a 2.1% change from the original contract amount. The following figure shows the breakdown of the total contract between the original contract amount and the portion attributable to the change orders.

Figure 1
Breakdown of the Total Contract Value of \$57,950,501



Invoice and Completion Verification

As of April 30, 2025, the date of the most recent invoice submitted, BBC invoiced the District \$52,351,605. This total was based on the percentage of completion of the construction line items on the SOV.

To verify that the work was completed in accordance with the Contract, we reviewed key project completion documents and conducted an on-site verification walkthrough on *October 24, 2025*. The OIG reviewed the following:

- ✓ Project Inspector Daily Reports
- ✓ Notice of Partial Use of Occupancy
- ✓ DSA 152 Project Inspection Cards⁹

⁹ The DSA 152 Project Inspection Cards are used to verify that school construction projects comply with approved plans and safety regulations.

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- ✓ Non-Conformance Item List (NCIL)¹⁰
- ✓ Photographs were taken of the work – see Appendix A

Conclusion

Based on our review of the final invoice, supporting documentation, and physical verification, we conclude that the total amount billed by BBC was consistent with the contract terms and appropriately reflected the completed work.

2. Change Order Review

The change orders were adequately documented and approved according to Facilities Services Division's change order policies and procedures.

As of April 30, 2025, Facilities Services Division (FSD) awarded 175 change orders totaling \$1,187,819. We selected a sample of 62 change orders, totaling \$420,617 (or 35% of the total value of change orders) for detailed review. For each of these change orders, we examined the following:

- Documentation initiating the change order, such as requests for proposals, construction directives, and DSA-approved construction changes.
- The District's fair cost estimate.
- BBC's change order proposal, including supporting documents for labor, materials, equipment, and subcontractor estimates.
- Record of negotiation.
- Authorization and approval from District representatives.

Conclusion

We found that the change orders complied with all tested requirements of FSD's policies and procedures.

¹⁰ The Non-Conformance Item List (NCIL) is a list generated by Project Inspectors during construction prior to substantial completion to record all items that are not in conformance with the approved plans or specifications.

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4400011969

AUDIT TEAM

This review was performed by the following auditors:

Maria Thomas, Audit Manager
Luceli Ceja, Principal Auditor
Sandy Chan, Senior Auditor



Los Angeles Unified School District Office of the Inspector General

Scott M. Schmerelson, President
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Dr. Rocio Rivas
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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 Balfour Beatty Construction, LLC (BBC) under Contract No. 4400011969 (Contract) and BBC's compliance with the terms and conditions of the Contract. BBC'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 BBC'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 BBC's compliance with the specified requirements.

In our opinion, the amount billed by BBC 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.

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: 2025.12.04 07:42:44 -08'00'

Joshua Margraf, CIA, CFE, CISA
Assistant Inspector General

October 29, 2025

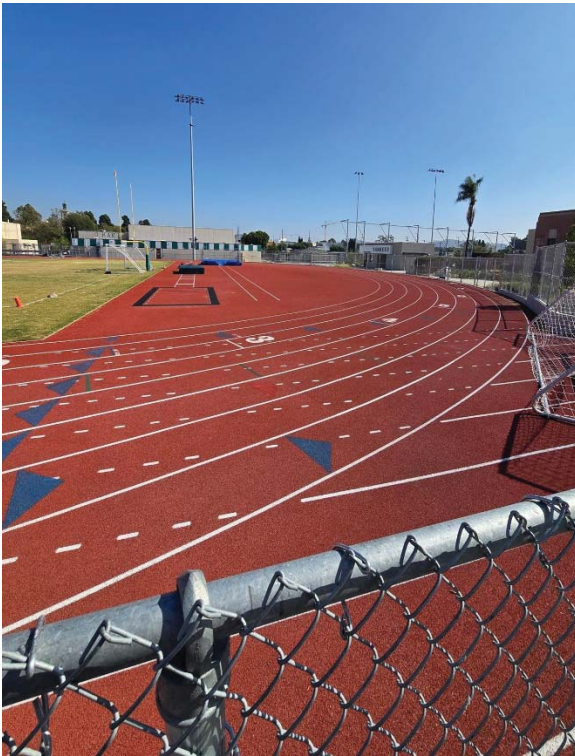
**Appendix A
Pictures of Completed Work
Stadium**



New stadium concessions building



New stadium press box and bleachers



New stadium synthetic track



New stadium scoreboard

**Appendix A
Pictures of Completed Work**



New stadium bleachers



New parking lot adjacent to stadium



New stadium restroom building



New Cheviot Hills Continuation School garden

Appendix A
Pictures of Completed Work
Make Ready (Utilities)



New LADWP Utility Yard - exterior



New LADWP Utility Yard - interior



Utility connections related to new LADWP
Utility Yard



Utility connections related to new LADWP
Utility Yard

**Appendix A
Pictures of Completed Work
Interim Housing**



Interim Housing – New kitchen and scramble building



Interim Housing – New lunch shelters



Interim Housing – New classroom building



Interim Housing – New restroom building

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