



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

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**Scott M. Schmerelson, President**  
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**Alberto M. Carvalho**  
*Superintendent*

**Sue Stengel**  
*Inspector General*

December 8, 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 Pinmor Construction, LLC – Contract Number 4400009538

Dear Mr. Friedman:

Enclosed is the final report on the audit of Contract No. 4400009538 awarded to Pinmor Construction, LLC.

Please contact our office if you have any questions.

Sincerely,

*Mark H. Pearson*

Digitally signed by Mark H. Pearson  
DN: cn=Mark H. Pearson, o=ou,  
email=mark.pearson@lausd.net, c=US  
Date: 2025.12.08 14:04:44 -08'00'

---

Mark H. Pearson, CPA, CFE, CIGA  
Assistant Inspector General, Audits

*Sue Stengel*

Digitally signed by Sue Stengel  
DN: cn=Sue Stengel, o=OU, ou=CIG,  
email=sue.stengel@lausd.net, c=US  
Date: 2025.12.08 14:08:13 -08'00'

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Sue Stengel, Esq., CIG  
Inspector General

- c. Jorge Ballardo, Cheri Thomas, Ivory King, Dana Greer, Lisette Pacheco, Elizabeth Li, Ed Cadena, Krisztina Tokes, Randy Lemons, Andrea Reyes, Alix O'Brien, Rachel Chua, and Berj Jonian

Attachment

Los Angeles Unified School District  
Office of the Inspector General

**Incurred Cost Audit**  
**Pinmor Construction, LLC**  
Contract No. 4400009538

CA 26-1013  
December 8, 2025

Sue Stengel  
Inspector General



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# Audit of Pinmor Construction, LLC

## Contract No. 440009538

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### EXECUTIVE SUMMARY

The Office of the Inspector General (OIG) audited Contract No. 2110009/4400009538 (Contract) awarded to Pinmor Construction, LLC (Pinmor) for the Dahlia Heights Elementary School (Dahlia Heights ES) Classroom Replacement Project.<sup>1</sup> 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 conclusions and recommendations from our examination engagement are detailed below.

#### **Key Conclusions:**

- The District's Facilities Services Division (FSD) determined that the work performed under the Contract was substantially completed and issued a Certificate of Substantial Completion on January 30, 2025.<sup>2</sup>
- As of the latest Payment Application (Pay App) No. 42, Pinmor had billed the District \$10,896,953, representing 99.77% of the total contract value of \$10,922,523 for work completed through December 31, 2024.<sup>3</sup>
- The District issued 119 change orders with a combined value of \$1,386,523 under the Contract, increasing the contract value by 14.54%.<sup>4</sup> A sample of 30 change orders (totaling \$223,913, or 16.15% of the total change order value) was reviewed and found to be supported and awarded according to FSD's policies and procedures.
- Pinmor overbilled the District by \$1,669 in bond costs across 55 change orders by applying a 1.00% bond rate instead of the actual rate of 0.73%.

#### **Recommendation:**

The FSD agreed with the OIG's recommendation to recover the \$1,669 in overstated bond costs resulting from the use of an incorrect bond rate. The FSD also confirmed that the amount will be permanently withheld from Pinmor's final billing at project closeout.

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<sup>1</sup> Contract [4400009538\\_NOA\\_2110009\\_Pkg\\_Dahlia\\_Heights\\_ES\\_Classroom\\_Replacement\\_Pinmor\\_Construction.pdf](#).

<sup>2</sup> Substantial completion is realized when the contracted scope of work can be fully utilized and occupied by the District for its intended purpose except for minor outstanding items; the District's Office of Environmental Health and Safety Essential Safety Checklist is completed; all permits, approvals, and certificates by governmental authorities required to occupy and use the work have been issued; and all systems included in the scope of work are installed and operational as specified, all required inspections and certifications have been made and posted, and instruction of District personnel in the operation of such systems has been completed.

<sup>3</sup> 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.

<sup>4</sup> 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.

# **Audit of Pinmor Construction, LLC**

## **Contract No. 440009538**

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### **INTRODUCTION**

On May 12, 2021, the District executed Contract No. 2110009/4400009538 with Pinmor Construction, LLC for the Dahlia Heights Elementary School Classroom Replacement Project. The project included the design and construction of five classrooms and support spaces, the placement of interim classrooms during construction, infrastructure upgrades as required to support the new facilities, and the restoration of landscape, hardscape, and playground areas.

The Contract's original amount was \$9,536,000. During construction, the District issued 119 change orders totaling \$1,386,523, which increased the contract value by 14.54% to \$10,922,523 as of December 31, 2024. The District determined that 99.77% of the contract work was completed and issued a Certificate of Substantial Completion to Pinmor on January 30, 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 Pinmor as of December 31, 2024.

### **METHODOLOGY**

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

- Interviewed the Owner Authorized Representative (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.<sup>5</sup>
- Interviewed Pinmor's management about their internal controls and business operations.
- Reviewed inspection reports to validate the progress claimed in payment applications and confirm that completion of the scope of work was adequately documented.

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<sup>5</sup> The Owner Authorized Representative is the designated authorized representative of the owner who administers the contract.

## **Audit of Pinmor Construction, LLC Contract No. 440009538**

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- Reviewed approved documentation, including the Certificate of School Readiness and the Notice of Partial Use or Occupancy, along with the punch list, project status report, and essential safety checklist, to verify that the completion of the scope of work was sufficiently documented.<sup>6</sup>
- Reviewed payment applications 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.<sup>7</sup>
- Reviewed change order packages to verify whether change orders were properly authorized and executed in accordance with District policies and procedures.
- Reviewed approved change orders to verify whether the correct bond cost was charged based on the contractor’s actual project bond rate.
- Conducted a site visit to Dahlia Heights ES with the OAR and the project team 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.**

The classroom replacement project at Dahlia Heights ES targets the removal of aging and portable buildings and replacing them with permanent classrooms that comply with state requirements and the District’s design standards. Specifically, the project scope of work included, but was not limited to, the following:

- Construction of five classrooms and associated support spaces.
- Placement of interim classrooms during construction.
- Infrastructure improvements to accommodate the new facilities.
- Restoration of landscaped areas, paved surfaces, and playgrounds where the portable buildings were previously located.

Based on the following audit procedures performed by the OIG and the results of our testing, we determined that the District appropriately approved the completion of the scope of work and that it was sufficiently documented:

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<sup>6</sup> The Certificate of School Readiness is issued to formally document that a school facility—or a portion of it—is ready for use. It is typically issued before occupancy.

<sup>7</sup> 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 Pinmor Construction, LLC Contract No. 440009538

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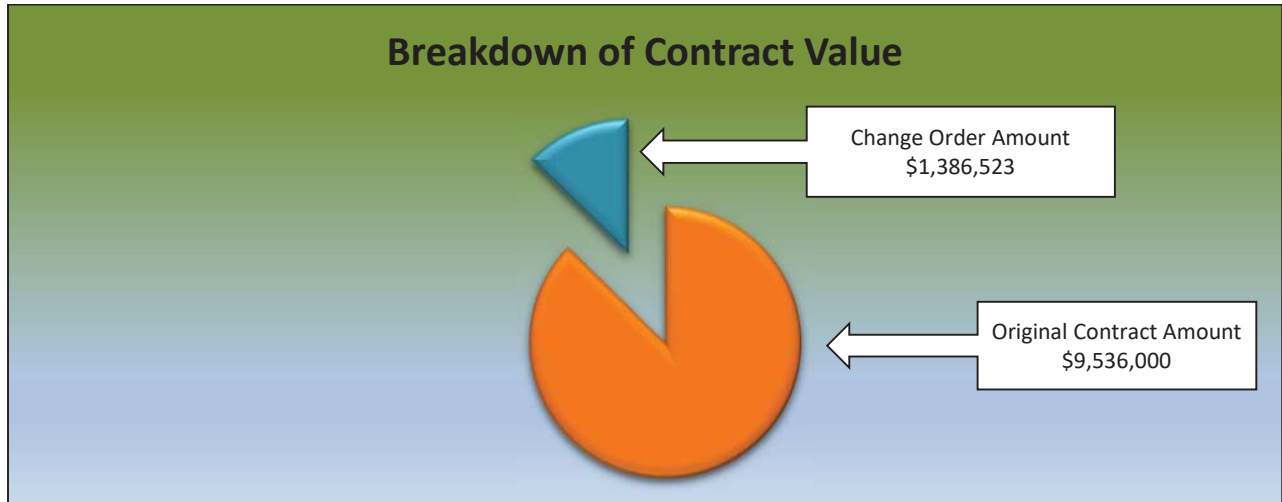
- Reviewed the Certificate of School Readiness issued on November 28, 2023, which confirmed that the facility was functionally complete and ready for occupancy. The certificate verifies that classrooms, restrooms, basic utilities (electrical, HVAC, water), telecommunications, and furniture/equipment were operational, in place, and ready for student and staff use.
- Reviewed the Notice of Partial Use or Occupancy issued on November 29, 2023, which allowed the District to occupy certain areas of the new two-story classroom building, effective December 4, 2023.
- Reviewed other supporting documents, such as the punch list, project status report, and the essential safety checklist, which substantiated that the District approved partial occupancy and that the scope of work was sufficiently documented for this phase of the project.
- Reviewed a random sample of 30 out of 328 inspection reports to verify the presence of inspector signatures, alignment of dates with inspection activities, and proper documentation of inspections that were conducted.
- Conducted a walk-through of Dahlia Heights ES with the OAR to view the completed scope of work (*see Exhibit A for photos from the site visit*).
- Confirmed with the OAR and the project engineer that the scope of work was 99% completed as of December 31, 2024, in accordance with the contract documents.

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

The original budget for the project was \$9,536,000. From contract inception through December 31, 2024, the District issued 119 change orders totaling \$1,386,523, increasing the contract value to \$10,922,523. This increase represented a 14.54% change from the original contract amount. The following chart shows the breakdown of the total contract value between the original contract amount and the portion attributable to the change orders.

**Audit of Pinmor Construction, LLC**  
**Contract No. 440009538**

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

- Interviewed the OAR and project team to understand the District’s billing workflow and documentation standards for progress payments, including approval protocols.
- Selected a random sample of 30 out of 84 Pay Apps submitted from project inception through December 31, 2025, and verified the following:
  - ✓ The Pay App was approved by authorized District personnel, and the approval dates aligned with the billing cycles 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. 42 to verify that the billed amounts were supported and allowable per the Contract, specifically:
  - ✓ The change orders totaling \$1,386,523 billed as of December 31, 2024, matched the total change order amount authorized per the District’s Consolidated On-Line Information Nexus (COLIN) System.<sup>8</sup>

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<sup>8</sup> 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 Pinmor Construction, LLC Contract No. 440009538

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- ✓ Pinmor properly issued a credit Change Order No. T-619 to the District for unused allowances totaling \$40,000.
- ✓ The OAR included an assessment summary and supporting documentation to substantiate all applicable withholding amounts, which totaled \$21,743 as of December 31, 2024.
- ✓ 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 were adequately supported and complied with the contract terms and conditions.

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

As of December 31, 2024, Pinmor billed the District 119 change orders totaling \$1,386,523, increasing the contract value by 14.54% to \$10,922,523. Of the total change order amount, \$831,694 (60%) was primarily due to design deficiencies. Other justifications for the changes to the original scope of work are detailed in the following graph:



**Audit of Pinmor Construction, LLC**  
**Contract No. 440009538**

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The District's FSD Change Order Procedures 14.16 establish the formal policies and protocols for preparing and processing change orders, including guidance on signatory requirements and the required supporting documentation.<sup>9</sup> To determine whether the executed change orders were properly approved and adequately documented, the OIG selected a statistical sample of 30 change orders totaling \$223,913 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:
  - ✓ 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.

**Finding No. 1 – Pinmor overbilled the District by \$1,669 in bond costs.**

***Criteria***

The use of incorrect bond rates on change orders had been identified in prior audits, indicating a recurring issue at the time. In response, FSD revised policies and procedures in early January 2024, requiring the use of the applicable bond rate in effect at the time the change order work is performed.<sup>10</sup>

***Condition***

Although no exceptions were identified in the sampled change order documentation, the OIG's review of bond costs associated with all the change orders executed as of December 31, 2024 found that Pinmor applied a 1.00% bond rate to 55 of the 119 change orders, rather than the actual bond rate of 0.73%.

***Cause***

The overbilling was due to an oversight and involved change orders executed between 2021 and 2023. However, the OIG's review confirmed that for change orders executed after 2024, Pinmor

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<sup>9</sup> Facilities Services Division [14.16 Change Order Procedures Rev 1.17.2023.pdf](#).

<sup>10</sup> Facilities Services Division [14.22 PEX Cost Estimating Procedures signed.pdf](#)

**Audit of Pinmor Construction, LLC**  
**Contract No. 440009538**

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applied the correct 0.73% bond cost rate. This reflects a marked improvement and highlights the effectiveness of the new FSD procedures.

***Effect***

Pinmor overbilled the District by \$1,669 in bond costs.

***Recommendation No. 1***

Pinmor should refund the District for the overbilled bond costs.

FSD confirmed that the overbilled amount will be permanently withheld from Pinmor's final invoice and committed to providing the OIG with documentation verifying the withholding as part of project closeout. The OIG considers the finding closed and will follow up with FSD to obtain the supporting documentation and confirm implementation of the recommendation.

***Response from Pinmor***

Pinmor concurred with the finding and confirmed that the overbilled bond costs will be permanently withheld from the final invoice.

***Response from FSD***

FSD concurred with the OIG's findings and provided assessment log information indicating that the overbilled amount had been withheld as of November 20, 2025.

**AUDIT TEAM**

The following auditors performed this audit:

Stella Lai, Audit Manager  
Joanna Vuong, Principal Auditor  
Derek Kim, Senior Auditor



# Los Angeles Unified School District Office of the Inspector General

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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 Pinmor Construction, LLC (Pinmor) under Contract Number 4400009538 (Contract) for the period from May 12, 2021, through December 31, 2024, and Pinmor's compliance with the terms and conditions of the Contract. Pinmor'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 Pinmor'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 Pinmor 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.

However, Pinmor overbilled the District \$1,669 in bond costs associated with the change orders executed under the Contract. Both the District's Facilities Services Division and Pinmor agreed with the finding and recommendation, and the amount will be permanently withheld on the final Payment Application.

Sincerely,

*Mark H. Pearson*  
Digitally signed by Mark H. Pearson  
DN: cn=Mark H. Pearson, o=ou,  
email=mark.pearson1@lausd.net, c=US  
Date: 2025.12.08 14:05:46 -08'00'

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Mark H. Pearson, CPA, CFE, CIGA  
Assistant Inspector General, Audits

October 17, 2025

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

## RESPONSE FROM PINMOR



December 1, 2025

LAUSD  
333 South Beaudry Ave., 12<sup>th</sup> Floor  
Los Angeles, CA 90017

Attn: Mark Pearson; Assistant IG, Audits

Re: Incurred Cost Audit of Contract No. 4400009538 - PINMOR Construction LLC

Dear Mr. Pearson,

After reviewing the report, PINMOR agrees it overbilled the District by \$1,669 in bond costs. We confirm that the overbilled amount will be permanently withheld from Pinmor's final invoice.

If you have any additional questions or concerns, please do not hesitate to contact the undersigned.

Sincerely,

Johnny R. Pinner  
Digitally signed by Johnny R. Pinner  
Date: 2025.12.01 14:50:00 -0800  
Johnny R. Pinner; Manager  
PINMOR Construction LLC

7312 Walnut Ave., Buena Park, CA 90620  
Office No. (714) 696-6602 Fax No. (714) 880-4828

# RESPONSE FROM FSD



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

**DATE:** December 5, 2025

**TO:** Mark Pearson, Assistant Inspector General  
Office of the Inspector General

**FROM:** Krisztina Tokes, Chief Facilities Executive  
Facilities Services Division

**SUBJECT:** Incurred Cost Audit of Pinmor Construction, LLC (Contract No. 4400009538)

Digitally signed by Krisztina Tokes  
DN: cn=Krisztina Tokes, o=Los Angeles  
Unified School District, ou=Chief Facilities  
Executive, email=ktokes@lausd.net, c=US  
Date: 2025.12.05 10:05:00 -0800

Please find below Facilities Services Division's (FSD) response to recommendations provided in the Office of the Inspector General's (OIG) Draft Report of the incurred cost audit of Pinmor Construction, LLC (Contract No. 4400009538).

**Objective 1:** Evaluate whether the completion of the scope of work was approved by the District and adequately documented.

**Objective 2:** Evaluate whether the billed amounts were adequately supported, allowable, and in accordance with contract terms and conditions.

**Objective 3:** Evaluate whether the change orders were properly approved and adequately documented.

**Finding No. 1 – Pinmor overbilled the District by \$1,669 in bond costs.**

The use of incorrect bond rates on change orders had been identified in prior audits, indicating a recurring issue at the time. In response, FSD revised policies and procedures in early January 2024, requiring the use of the applicable bond rate in effect at the time the change order work is performed. The overbilling was due to an oversight and involved change orders executed between 2021 and 2023. However, the OIG's review confirmed that for change orders executed after 2024, Pinmor applied the correct 0.73 % bond cost rate.

**Recommendations for Finding No. 1**

Pinmor and the FSD agreed with the OIG's recommendation to recover the \$1,669 in overstated bond costs resulting from the use of an incorrect bond rate. FSD confirmed that the overbilled amount will be permanently withheld from Pinmor's final invoice and committed to providing the OIG with documentation verifying the withholding as part of project closeout. The OIG considers the finding closed and will follow up with FSD to obtain the supporting documentation and confirm implementation of the recommendation.

Page 1 of 2

Los Angeles Unified School District - Facilities Services Division  
333 S. Beaudry Ave., 23rd Floor, Los Angeles, CA 90017  
Telephone (213) 241-4811 • Fax (213) 241-6384

## RESPONSE FROM FSD

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

- i. **Response:** FSD agrees with the OIG finding.
- ii. **Action:** FSD will apply a permanent withhold in the amount of \$1,669 from Pinmor's final billing.
- iii. **Target:** Completed. Please see Exhibit A.

**Exhibit A: Log of Applied Holds Activity**

C: Alix O'Brien  
Edward Cadena  
Dana Greer  
Matthew Friedman  
Cheri Thomas  
Cynthia Vargas  
Jorge Ballardo  
Ivory King  
Lissette Pacheco  
Elizabeth Li  
Derek Kim  
Chris Alejo  
Rachel Chua

Page 2 of 2

Los Angeles Unified School District - Facilities Services Division  
333 S. Beakery Ave., 23rd Floor, Los Angeles, CA 90017  
Telephone (213) 241-4811 • Fax (213) 241-8384

# RESPONSE FROM FSD

11/20/25, 1:08 PM
Contract 2110009: Pinmor Construction LLC
Welcome BERJ JONIAN - Log Out

All New Withholds/Releases/Assessments

View OAS
Create OAS
Draft OAS
View Withholds
Create Withhold

Processed Contract Withholds Financial Summary

Total Withholds	\$1,055,940.84
Total Assessments	\$1,689.00
Total Releases	\$137,238.28
Withhold Balance	\$817,033.56

- Log of Applied Withholds Activity

	Withhold Date	Withhold Amount	Applied Amount	OAS Pay App No.
182314 - Dahlia Heights ES - New 2 Story Bldg. (03-120254) (BERJ JONIAN)				
LC 1775 - LC: 2110009-1006	10/31/2025	\$858,976.51	Not Applied	N/A
Other - must be documented in comment section = OAR: 2110008-0007	11/20/2025	\$1,689.00	Not Applied	N/A
- Assessment	11/20/2025	\$1,689.00		\$1,689.00

[https://www.laschools.org/oar-database/?contract\\_id=321432987&page\\_p=2&wh\\_filter=](https://www.laschools.org/oar-database/?contract_id=321432987&page_p=2&wh_filter=) 1/1

# PHOTOS FROM SITE VISIT



1. Exterior View of New Two-Story Classroom Building



2. ADA-Compliant Handrail and Ramp



3. Elevator



4. 2nd Floor Open-Air Corridor with Protective Yellow Guardrails

# PHOTOS FROM SITE VISIT



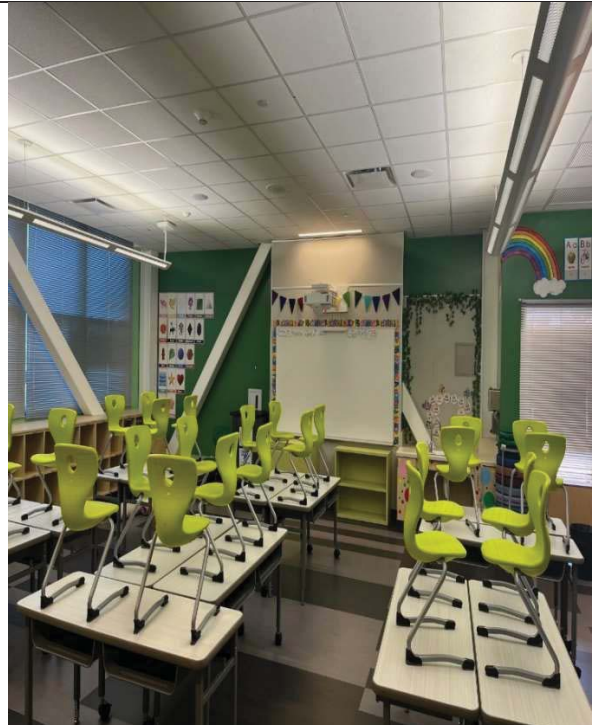
5. 1st Floor Classroom Entry Area



6. 1st Floor Classroom (Inside)



7. 2nd Floor Classroom (Inside) with Duct Silencer

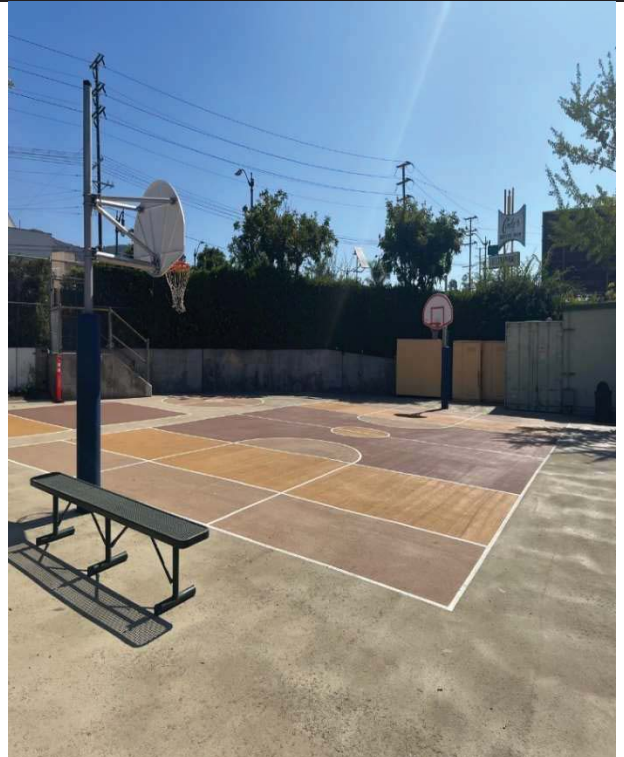


8. 2nd Floor Classroom (Inside)

# PHOTOS FROM SITE VISIT



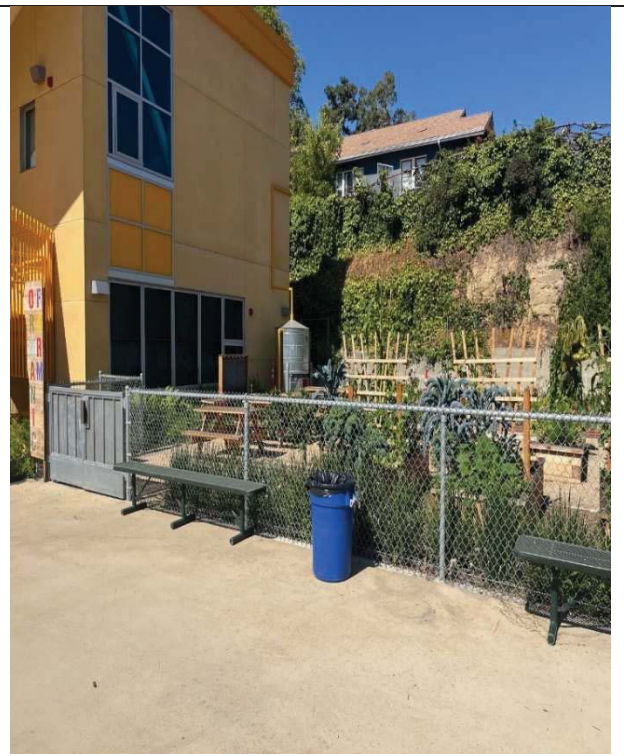
9. Playground Area with New Trees



10. Outdoor Basketball Court



11. Half Soccer Field



12. Bioswale Garden

## 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](mailto: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

