

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

**Incurred Cost Audit  
Pinner Construction Co., Inc.  
Contract No. 4400010611**

**26-1002**

**February 10, 2026**

**Michael McLean  
Acting Inspector General**





# Los Angeles Unified School District Office of the Inspector General

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February 10, 2026

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: Pinner Construction Company, Inc.  
Contract No. 4400010611

Dear Mr. Friedman:

This is the final audit report on the examination of Contract No. 4400010611 awarded to Pinner Construction Company, Inc.

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.pearson1@lausd.net, c=US  
Date: 2026.02.10 08:10:33 -08'00'

Mark Pearson, CPA, CFE, CIGA  
Assistant Inspector General

*Michael A. McLean*  
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MCLEAN  
Date: 2026.02.10 10:09:06 -08'00'

Michael McLean  
Interim 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  
Dirk Griffin, Chief Executive Officer, Pinner Construction Co., Inc.  
Min Zavarella, President of Operations, Pinner Construction Co., Inc.

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# Audit of Pinner Construction Company Inc.

## Contract No. 4400010611

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### EXECUTIVE SUMMARY

The Office of the Inspector General (OIG) examined Contract No. 44000010611 (Contract) that was awarded to Pinner Construction Company, Inc. (Pinner) for the Dixie Canyon Community Charter Elementary School's classroom replacement project. The audit assessed Pinner'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.<sup>1</sup>

#### **Key Conclusions:**

- Pinner invoiced a total of \$36,062,155 as of July 1, 2025, which was based on the line items listed in the Schedule of Values (SOV).<sup>2</sup> All invoiced amounts were determined to be allowable, properly supported, and consistent with the Contract's terms and conditions.
- Pinner completed the scope of work in accordance with the Contract. Completion was confirmed through review of the Project Inspector Daily Reports, an on-site walkthrough and photographs.<sup>3</sup>
- The District issued 186 change orders under the Contract with a combined value of \$1,926,336, increasing the Contract value from \$39,398,000 to \$41,324,336 (a 4.9% increase). A sample of 138 change orders (totaling \$1,506,908, or 78.2% of the total value of change orders) was reviewed and found to be supported and awarded in accordance with Facilities Services Division (FSD) policies and procedures.
- For 85 change orders, a 1% bond rate was applied instead of the applicable 0.73% rate, resulting in an overstated bond cost of \$2,679.23. During the review, \$2,476.96 was recovered through a credit change order, and the remaining difference of \$202.27 was deemed immaterial.

### INTRODUCTION

On June 14, 2022, the District executed Contract No. 4400010611 with Pinner Construction Company, Inc. for the Dixie Canyon Community Charter Elementary School classroom replacement project. The project included relocating a four-classroom building with associated site work, upgrading the exhaust hood and installing a fire suppression system in an existing kitchen building, constructing a new two-story classroom building with related site improvements, adding two restrooms to an existing building, and building four single-story kindergarten buildings, a lunch shelter, two shade structures, and associated site improvements.

The Contract's original amount was \$39,398,000. During construction, the District issued 186 change

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<sup>1</sup> [Contract No. 400010611](#).

<sup>2</sup> 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.

<sup>3</sup> The Project Inspector completes daily reports to document their activities and observations on construction projects.

**Audit of Pinner Construction Company Inc.**  
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orders totaling \$1,926,336 to Pinner, increasing the Contract value by approximately 5% to \$41,324,336.<sup>4</sup>

**SCOPE AND OBJECTIVES**

Our examination covered costs invoiced by Pinner Construction to the District under the Contract from its inception through July 1, 2025.

The objectives were to determine whether:

Objective 1: The completed scope of work 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 examination 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 the project.<sup>5</sup>
- Interviewed Pinner'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 SOV, the percentage of completion, and the amount billed for each line item of work, as well as the total retainage for each Application for Payment submitted to the District.
- 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).

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<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.

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

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- Proposed amounts were supported by a District-prepared Fair Cost Estimate and a contractor cost proposal.<sup>6</sup>
- 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 Dixie Canyon Community Charter School with the project's OAR to verify that the barrier removal project was completed according to the project's scope of work. Photographs were taken of the work – see Appendix A.

**RESULTS**

**1. Billing and Completion of Scope of Work**

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

**Contract Billing and Change Orders**

The original budget for the project was \$39,398,000. From contract inception through July 1, 2025, the District issued 186 change orders totaling \$1,926,336, increasing the contract value to \$41,324,336. This increase represented a 4.9% 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.

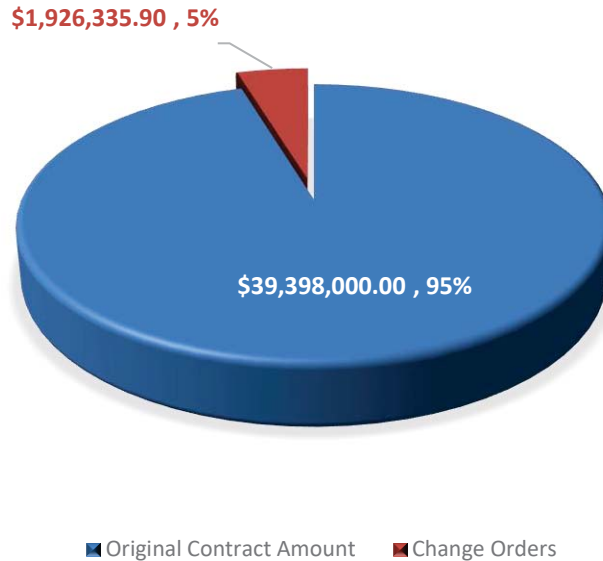
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<sup>6</sup> A Fair Cost Estimate is a separate, independent estimate of the cost and time impact of the proposed change order prepared by the OAR, Project Estimator, or the Estimating Unit.

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**Figure 1  
Breakdown of the Total Contract Value of  
\$41,324,336**



### Invoice and Completion Verification

As of July 1, 2025, the date of the most recent invoice submitted, Pinner invoiced the District \$36,062,155. 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 with the OAR on September 12, 2025.

The OIG reviewed the following:

- ✓ Project Inspector Daily Reports
- ✓ Non-Conformance Item List<sup>7</sup>

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<sup>7</sup> The Non-Conformance Item List 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.

**Audit of Pinner Construction Company Inc.  
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**Conclusion**

Based on our review of the final invoice and supporting documentation, we conclude that the total amount billed by Pinner was adequately documented and consistent with the contract terms and conditions.

**2. Change Order Review**

*The change orders were supported and approved according to the Facilities Services Division's (FSD) change order policies and procedures, with the exception of an overstated bond cost that was corrected through a credit change order.*

As of July 1, 2025, FSD awarded 186 change orders totaling \$1,926,336. We selected a sample of 59 change orders, totaling \$761,507 (or approximately 40% 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 (FCE).
- Pinner's change order proposal, including supporting documents for labor, materials, equipment, and subcontractor estimates.
- Reviewed approved change orders to verify that the correct bond cost was charged based on the contractor's actual project bond rate.
- Record of negotiation.
- Authorization and approval from District representatives.

**Observation**

Within our sample, the OIG noted that some of the change orders reflected a 1% bond rate rather than the correct rate of 0.73%. After identifying and reporting this discrepancy to FSD staff on September 16, 2025, they informed the OIG that they were already aware of the rate issue, had calculated the difference, and would prepare a change order credit of \$2,476.96. As a result, the OIG expanded the scope of this examination to verify that the correct bond rate had been applied to all contract change orders, and to confirm the accuracy of FSD staff's initial calculations.

Based on this expanded testing, we identified 85 change orders in which the 1% bond rate was used to calculate the bond cost rather than the correct rate of 0.73%, which resulted in an overpayment of \$2,679.23. On September 22, 2025, FSD staff informed the OIG that the District had issued a credit change order in the amount of \$2,476.96 and insisted this was the correct

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amount. Since the difference between the credit change order amount and the overpayment calculated by the audit team totaled \$202.27, and the District already issued a credit change order, the OIG considered the amount immaterial to further pursue.

In early January 2024, FSD implemented revised policies and procedures requiring use of the applicable bond rate at the time contractors perform change order work. Based on testing performed for this examination, the OIG found that FSD generally used the correct rate for the change orders issued after the new procedures were implemented; however there were 11 instances where the incorrect rate was still applied.



**Key Financial Impact:**

- Incorrect bond rate application led to \$2,679.23 in overstated costs on change orders.
- The District recovered the overstated amount of \$2,476.96 through a credit change order issued on September 29, 2025. The OIG considered the remaining difference of \$202.27 to be immaterial.

**AUDIT TEAM**

This audit was performed by the following auditors:

Maria Thomas, Audit Manager  
Luceli Ceja, Principal Auditor  
Damon Melfi, Senior Auditor



# Los Angeles Unified School District Office of the Inspector General

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**Scott M. Schmerelson, President**  
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**Dr. Rocio Rivas**  
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**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 Pinner Construction Co., Inc. (Pinner) under Contract No. 2210025/4400010611 (Contract) and Pinner's compliance with the terms and conditions of the Contract. Pinner'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 Pinner'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 Pinner's compliance with the specified requirements.

In our opinion, the amount billed by Pinner 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.

*Mark H. Pearson*  
Digitally signed by Mark H. Pearson  
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email=mark.pearson1@lausd.net,  
c=US  
Date: 2026.02.10 08:11:50 -08'00'

Mark Pearson, CPA, CFE, CIGA  
Assistant Inspector General

October 2, 2025

Appendix A – Pictures of Completed Work

**Two-Story Building  
Classroom Interior**

*New facility, including an enhanced information technology network convergence system*



*Classroom Interior - Northeast View*



*Classroom Interior – South View*



*Classroom Interior – Southwest View*



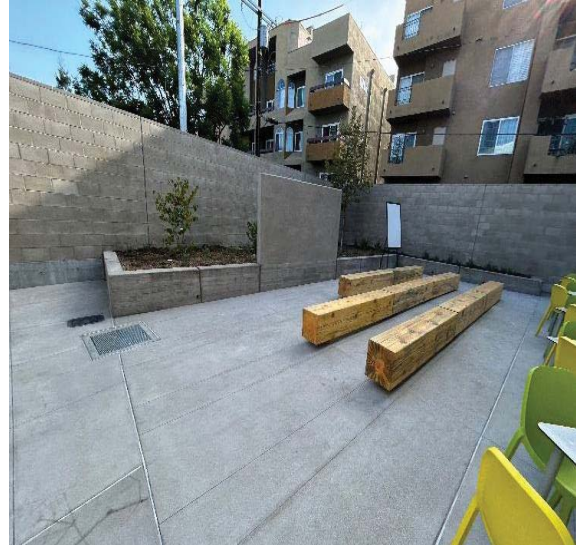
*Classroom Interior – West View*

Appendix A – Pictures of Completed Work

**Two-Story Building  
Classroom Exterior**  
*Upgrades to landscape and hardscape*



*Classroom Exterior – East Learning Area*



*Classroom Exterior – East Learning Area*



*Classroom Exterior – West Learning Area*



*Classroom Exterior – North Elevation*

Appendix A – Pictures of Completed Work

**Site View**  
*Upgrades to playground and landscape*



*Site North View*



*Site West View*



*Site South View*



*Site Northwest View*

Appendix A – Pictures of Completed Work

**Kindergarten Classrooms**  
*New kindergarten structure and playground*



*Kindergarten North Elevation*



*Kindergarten South Elevation*

*Office of the Inspector General  
"Independent and Objective Oversight"*

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