



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

**Incurred Cost Audit
Prime Axis General Builder, Inc.
Contract No. 4400013173**

26-1022

February 5, 2026

**Michael A. McLean
Interim Inspector General**





Los Angeles Unified School District

Office of the Inspector General

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Interim Inspector General

February 5, 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: Prime Axis General Builder, Inc.
Contract No. 2410077/4400013173

Dear Mr. Friedman:

This is our final audit report on the examination of Prime Axis General Builder, Inc. - Contract No. 4400013173.

Please contact our office if you have any questions.

Sincerely,

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


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Michael A. McLean
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Audit of Prime Axis General Builder, Inc.
Contract No. 4400013173

EXECUTIVE SUMMARY

The Office of the Inspector General examined Contract No. 4400013173 (Contract) awarded to Prime Axis General Builder, Inc. (Prime Axis) for the quad redesign, remediation of Polychlorinated Biphenyl (PCB) contaminants and the replacement of the courtyard at the Mary McLeod Bethune Middle School (Bethune) site.¹ The review assessed Prime Axis's invoiced costs, completion of contract deliverables, and the District's administration of change orders, with the goal of supporting transparency, compliance, and accountability in contract execution.²

Key Conclusions:

- Prime Axis invoiced a total of \$5,156,343 (excluding 5% retainage) as of October 29, 2025, which represented 95% of the amended contract amount after change orders. 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).
- Prime Axis 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 23 change orders under the Contract with a combined value of \$333,730, increasing the contract value from \$5,094,000 to \$5,427,730 (a 6.6% increase). All 23 change orders were reviewed and found to be awarded according to the Facilities Services Division's (FSD) policies and procedures.

INTRODUCTION

The Bethune site spans 15.35 acres and is comprised of three K-12 schools/programs, the traditional middle school, a Science/Tech/Math Magnet, and a co-located charter (Animo Florence-Firestone Charter Middle School). The building area is nearly 230,000 square feet, and includes nine permanent buildings, five of which are multi-story, and 14 relocatable buildings. The buildings were constructed between 1927 and 1990. Currently, 163 students with disabilities attend the schools/programs on site. The site was in the process of various upgrades to buildings to improve or enhance student accessibility.

¹ Polychlorinated biphenyls (PCBs) are a group of human-made industrial chemicals that were once used in many products, like electrical equipment, but are now banned in the United States. They persist in the environment and can accumulate in the body, with long-term exposure potentially causing health problems, including skin and eye irritations, developmental issues, and cancer.

² 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.

³ This confirmation indicates that the work has been performed as required by the contract; however, it does not constitute an assessment of the quality, performance, or workmanship of the completed work.

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During the initial design phase of the various improvements, the District found PCB contaminants in the courtyard. As a result, the District initiated a project to redesign the quad, remediate PCB contaminants and replace the courtyard.

On April 17, 2024, the District executed Contract No. 4400013173 with Prime Axis for the quad redesign, remediation of PCB contaminants, and the replacement of the courtyard at Bethune.

The Contract's original amount was \$5,094,000. During construction, the District issued 23 change orders totaling \$333,730 to Prime Axis, increasing the contract value by 6.6% to \$5,427,730.

SCOPE AND OBJECTIVES

This examination of Contract 4400013173 with Prime Axis, covered the scope of work billed and completed by Prime Axis through October 29, 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 the work.⁴
- Interviewed Prime Axis'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 for each line item of work, as well as the total retainage for each Application for Payment submitted to the District.⁵

⁴ The OAR is the designated authorized representative of the owner who administers the contract.

⁵ Application for Payment is a formal request submitted by a contractor for compensation based on the value of labor,

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- 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 contractor cost proposal and a district-prepared Fair Cost Estimate.⁶
 - 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.
- Conducted a site visit at Bethune with the project's OAR to verify that construction was completed according to the project's scope of work.

RESULTS

1. Billing and Completion of Scope of Work

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

Contract Billing and Change Orders

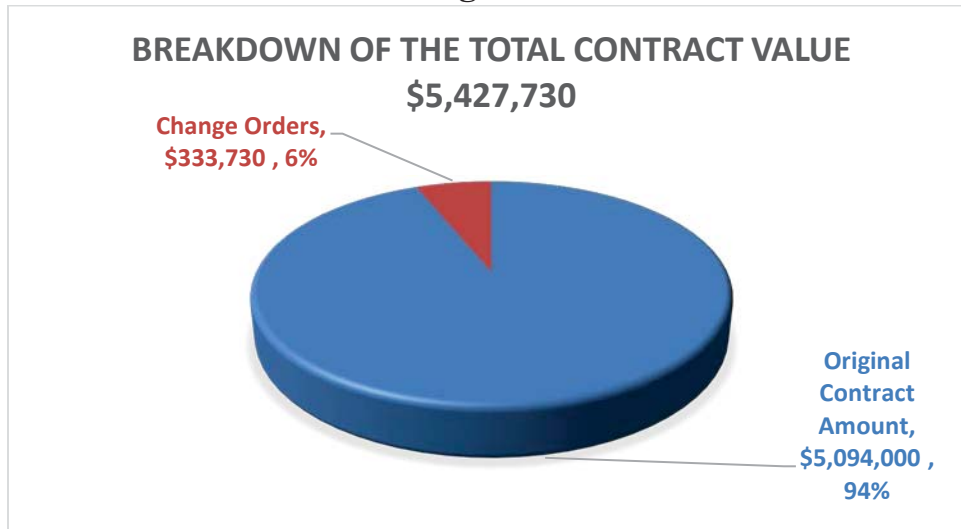
The original budget for the project was \$5,094,000. From contract inception through October 29, 2025, the District issued 23 change orders totaling \$333,730, increasing the contract value to \$5,427,730. This increase represented a 6.6% change from the original contract amount. The following figure shows the breakdown of the total contract between the original contract amount and the portion attributable to the change orders.

materials, and work completed during a specified billing period, including supporting documentation as required by the contract.

⁶ 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.

**Audit of Prime Axis General Builder, Inc.
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Figure 1



Invoice and Completion Verification

As of October 29, 2025, the date of the most recent invoice submitted, Prime Axis invoiced the District \$5,427,730. 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 December 19, 2025. Photographs were taken of the work – see Appendix A.

Review of Supporting Documents to Verify Completed Scope of Work

- ✓ Project Inspector Daily Reports
- ✓ Notice of Substantial Completion
- ✓ DSA 6-PI Project Inspector Verified Report⁷
- ✓ Non-Conformance Item List (NCIL)⁸

Conclusion

Based on our review of the final invoice, supporting documentation, and physical verification, we conclude that the total amount billed by Prime Axis was consistent with the contract terms and

⁷ The DSA 6-PI Project Inspector Verified Report is used to verify that school construction projects comply with approved plans and safety regulations.

⁸ The 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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appropriately reflected the completed work.

2. Change Order Review

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

As of October 29, 2025, FSD awarded 23 change orders totaling \$333,730. We reviewed all 23 change orders, totaling \$333,730 (or 6.6% 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.
- Prime Axis'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.

AUDIT TEAM

This review was performed by the following auditors:

Maria Thomas, Audit Manager
Armando Ng, Principal Auditor
Sandy Chan, Senior Auditor



Los Angeles Unified School District Office of the Inspector General

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Members of the Board

Alberto M. Carvalho
Superintendent

Michael A. McLean
Interim Inspector General

Independent Auditor's Report

We have examined the amounts billed by Prime Axis General Builder, Inc. (Prime Axis) under Contract No. 4400013173 (Contract) and Prime Axis's compliance with the terms and conditions of the Contract. Prime Axis'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 Prime Axis'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 Prime Axis's compliance with the specified requirements.

In our opinion, the amount billed by Prime Axis 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 the FSD's change order policies and procedures.

Josh Margraf

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Joshua Margraf, CIA, CFE, CISA
Assistant Inspector General

January 15, 2026

**Appendix A
Pictures of Completed Work**



New concrete Quad floor



New concrete benches



Newly planted trees and grass



Newly planted shrubs and mulch

**Appendix A
Pictures of Completed Work**



Light poles and concrete bases



New handrails



New concrete steps and ramps



New metal HVAC supports

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

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