

OFFICE OF THE INSPECTOR GENERAL

CONTRACT AUDIT REPORT



**INCURRED COSTS AUDIT OF
DEL RICHARDSON AND ASSOCIATES
CONTRACT NO. 0200278**

*Prepared By:
Vasquez & Company LLP
510 West Sixth Street, Suite 400
Los Angeles, CA 90014*

October 1, 2004

Mr. Mark Hovatter
Director, Facilities Contracts
Facilities Services Division
Los Angeles Unified School District
355 South Grand Avenue, Suite 1100
Los Angeles, CA 90071

Dear Mr. Hovatter:

This is our report on the audit of costs incurred by Del Richardson and Associates, under Contract No. 0200278.

The report addresses the allowability, allocability, and reasonableness of the direct costs, indirect costs, and profit rate for the contractor. The report also addresses the contractor's effectiveness and internal control structure.

I appreciate your continued request for our contract audit services.

Sincerely,

/s/

Austin E. Onwualu, CPA
Director, Contract Audit

EXECUTIVE SUMMARY

We audited the costs claimed by Del Richardson and Associates (“DRA”) under Contract No. 0200278 (“Contract”) with the Los Angeles Unified School District (“LAUSD”). The objective of this audit was to determine whether the costs claimed under the above Contract were incurred, allowable, adequately supported and in compliance with the terms of the Contract. Our audit disclosed that:

- DRA engaged the services of three individual subcontractors that were not authorized by LAUSD, resulting in questioned costs of \$82,128.
- DRA billed in excess of the authorized amounts on two projects resulting in questioned costs of \$1,000.
- Total questioned costs amounted to \$83,128.

INTRODUCTION

On September 26, 2001, LAUSD entered into a contract with DRA under Contract Number 0200278 to supervise and administer programs for providing relocation assistance services to persons within the project area specified by LAUSD through subsequent task orders. The Contract provided an initial period of performance from September 1, 2001 to June 30, 2002 with a not-to-exceed value of \$500,000.

The relocation services were compensated on a unit-rate basis depending on the type of the services as follows:

- (i) *Relocation Plan.* Compensation based on agreed rate per-plan or per-interview completed and accepted by LAUSD.
- (ii) *Implementation.* Compensation based on agreed rate per case. Rates vary for residential and commercial displacements. For residential displacements, the per-case rate further varies depending on the number of completed cases.
- (iii) *Extraordinary Cases.* For non-residential cases of extraordinary complexity as approved by LAUSD, compensation based on standard hourly rates and a not-to-exceed maximum price.
- (iv) *Other Services.* For interim property management, translation services and others, compensation was based on the standard hourly rates per Contract.

Under the Contract’s compensation provision, DRA could bill 100 percent of the completed plan/case upon acceptance and approval of the completed work by the LAUSD Director of the Office of Housing and Relocation (“Director”). As an alternative, DRA could bill based on the number of hours performed at the approved standard labor hourly rates, but only up to 60 percent of the approved rate per plan/case. The remaining 40 percent could be billed upon the Director’s acceptance and approval of the completed work.

On September 16, 2002, a Contract amendment was issued to increase the not-to-exceed value to \$750,000 and extend the performance period to June 30, 2003. Subsequently, the contract

performance period was extended to June 30, 2004. We noted that during our audit period, another amendment was in process to extend the Contract period to December 31, 2004.

LAUSD issued 16 task orders under the Contract, totaling \$715,559. The total cost claimed by DRA under the Contract, as of March 4, 2004, was \$615,560 (see Schedule II).

SCOPE AND OBJECTIVE

The objective of this audit was to determine whether the costs claimed by DRA under the Contract, were incurred, allowable, adequately supported and in compliance with the terms of the Contract.

Our audit covered costs billed by DRA to LAUSD under the Contract as of March 4, 2004. Our examination was conducted in accordance with Generally Accepted Government Auditing Standards (“GAGAS”) and included tests of the consultant’s accounting records and other auditing procedures that we considered necessary under the circumstances. We also utilized the cost principles under the Federal Acquisition Regulations (“FAR”) as criteria in evaluating the costs claimed.

METHODOLOGY

Our audit included test of DRA’s accounting records and such other auditing procedures as deemed necessary in the circumstances. We reconciled costs claimed by DRA to LAUSD payment record. We examined timesheets and LAUSD acceptance documents, and compared rates used to rates authorized for the type of service under the Contract and task orders. We verified authorization of costs claimed by comparing costs billed with the authorization in the approved task orders. We verified that subconsultants hired by DRA were authorized by LAUSD.

RESULTS OF AUDIT

Our audit disclosed that DRA subcontracted a portion of the Contract without authorization by LAUSD, and billed in excess of the authorized amount under a task order. Accordingly, we questioned claimed costs totaling \$83,128. (See Schedules I and III).

Unauthorized Subcontractors

Section 3.0 of the Contract provides that DRA should obtain written approval from LAUSD prior to subcontracting any work under the Contract.

Our audit showed that DRA billed for three relocation subcontractors namely: Roberto Corrales, Silvia Esparza and Raaata Carter, without the approval of LAUSD to engage their services. The names of these subcontractors were not included in the Contract or in the subsequent task orders where their costs were charged. According to DRA, their authorization to use these subcontractors was only verbal.

Accordingly, we questioned \$82,128 of costs billed for implementation services provided by these subcontractors. This amount is comprised of 1,263.5 hours billed at \$65/hour.

Claimed Costs in Excess of Authorized Amounts

Task Order numbers 02R035 and 02R039 authorized DRA to perform additional relocation assistance services for 43 and 45 displacees, respectively, at \$500 each. These task orders were subsequently revised to reduce the number of displacees by 1 for each task order, thereby reducing the authorized amounts for the 2 task orders by \$1,000 (2 x \$500).

Our audit showed that DRA over-billed these 2 task orders by \$1,000 for billing in excess of the amount authorized by LAUSD. We verified that the billing submitted by DRA is supported by the prior task orders, and not the revised task orders that showed the reduced authorized amount.

Accordingly, we questioned billed costs of \$1,000 for additional services.

CONCLUSION

Based on our audit, we believe that DRA billed for subcontractor costs and relocation services, which were not authorized in accordance with the Contract. DRA was unable to present written authorizations from LAUSD to support these claims. Consequently, we questioned a total of \$83,128 in costs claimed by DRA under the Contract.

RECOMMENDATION

We recommend that Facilities Contracts recover the questioned amount of \$83,128 for the unauthorized costs billed by DRA. Since the Contract is still ongoing, LAUSD may consider claiming a credit of this amount against DRA's future invoices.

REPORT DISTRIBUTION

This report is privileged and confidential and prepared solely for LAUSD's Facilities Services Division. This report may not be released in full or part, to any entity outside LAUSD or to any other internal department without the prior approval of the Office of the Inspector General.

SCHEDULE I

DEL RICHARDSON AND ASSOCIATES
(A Contractor of the Los Angeles Unified School District)
SUMMARY OF CLAIMED, QUESTIONED AND AUDITED COSTS
AGREEMENT NO. 0200278

<u>Task Order No.</u>	<u>Project Name</u>	<u>Claimed</u> (See Schedule II)	<u>Questioned</u> (See Schedule III)	<u>Audited</u>
02R038	Corona New PC	\$ 148,290	\$ 31,249	\$ 117,041
02R036	Hooper New PC	136,410	24,115	112,295
02R035	State Street New ES #1	119,329	2,466	116,863
02R039, 02R084	Middleton New PC	106,229	23,088	83,141
02R034, 02R061	Monroe New Elementary #2	25,406	1,008	24,398
02R069	Fremont PC #2	23,960	-	23,960
02R091, 02R099	State Street ES Playground Exp	23,299	-	23,299
02R037	4th Street New Primary Center	8,279	-	8,279
02R070	Noble New ES #1	10,120	65	10,055
02R067	McClay New PC	3,952	-	3,952
02R027	Jefferson New ES #7	1,381	-	1,381
02R051	Corona/Hooper/Middleton	1,609	585	1,024
02R068	Hooper/4th Street/Middleton	7,296	552	6,744
	Total	<u>\$ 615,560</u>	<u>\$ 83,128</u>	<u>\$ 532,432</u>

SCHEDULE II

DEL RICHARDSON AND ASSOCIATES
(A Contractor of the Los Angeles Unified School District)
SCHEDULE OF CLAIMED COSTS
AGREEMENT NO. 0200278

<u>Task Order No.</u>	<u>Project Name</u>	<u>Implementation</u>	<u>Additional Services</u>	<u>Total</u>
02R038	Corona New PC	\$ 119,290	\$ 29,000	\$ 148,290
02R036	Hooper New PC	109,410	27,000	136,410
02R035	State Street New ES #1	96,829	22,500	119,329
02R039, 02R084	Middleton New PC	84,729	21,500	106,229
02R034, 02R061	Monroe New Elementary #2	19,406	6,000	25,406
02R069	Fremont PC #2	18,960	5,000	23,960
02R091, 02R099	State Street ES Playground Exp	17,799	5,500	23,299
02R037	4th Street New Primary Center	8,279	-	8,279
02R070	Noble New ES #1	7,620	2,500	10,120
02R067	McClay New PC	2,952	1,000	3,952
02R027	Jefferson New ES #7	1,381	-	1,381
02R051	Corona/Hooper/Middleton	1,609	-	1,609
02R068	Hooper/4th Street/Middleton	7,296	-	7,296
	Total	<u>\$ 495,560</u>	<u>\$ 120,000</u>	<u>\$ 615,560</u>

SCHEDULE III
DEL RICHARDSON AND ASSOCIATES
(A Contractor of the Los Angeles Unified School District)
SCHEDULE OF QUESTIONED COSTS
AGREEMENT NO. 0200278

<u>Task Order No.</u>	<u>Project Name</u>	<u>Implementation</u>	<u>Additional Services</u>	<u>Total</u>	<u>Notes</u>
			Note a		
02R038	Corona New PC	\$ 31,249	\$ -	\$ 31,249	b
02R036	Hooper New PC	24,115	-	24,115	b
02R035	State Street New ES #1	1,966	500	2,466	b
02R039, 02R084	Middleton New PC	22,588	500	23,088	b
02R034, 02R061	Monroe New Elementary #2	1,008	-	1,008	b
02R069	Fremont PC #2	-	-	-	
02R091, 02R099	State Street ES Playground Expansion	-	-	-	
02R037	4th Street New Primary Center	-	-	-	
02R070	Noble New ES #1	65	-	65	b
02R067	McClay New PC	-	-	-	
02R027	Jefferson New ES #7	-	-	-	
02R051	Corona/Hooper/Middleton	585	-	585	b
02R068	Hooper/4th Street/Middleton	552	-	552	b
	Total	<u>\$ 82,128</u>	<u>\$ 1,000</u>	<u>\$ 83,128</u>	

Notes:

a - Represents billings in excess of authorized amounts per Task Order.

b - Represents billings for individual subcontractors engaged without prior written approval by LAUSD.

Know about fraud, waste or abuse?

Tell us about it.

Maybe you are a School District employee, or maybe you are a private citizen. Either way, you are a taxpayer.

Maybe you know something about fraud, or waste, or some other type of abuse in the School District.

The Office of the Inspector General has a hotline for you to call. You can also write to us.

If you wish, we will keep your identity confidential. You can remain anonymous, if you prefer. And you are protected by law from reprisal by your employer.

Call the Hotline:

(213) 241-7778

or

1-866-LAUSD-OIG

Write to us:

**Fraud Hotline Center
333 S. Beaudry Ave., 12th Fl.
Los Angeles, CA 90017**

Website:

www.laoig.org