



Los Angeles Community College
Proposition A/AA Bond Program

Bond Program Performance Audit

Fiscal Year Ending June 30, 2005

December 14, 2005

Mr. Larry Eisenberg
Executive Director
Facilities Planning and Development
Los Angeles Community College District
770 Wilshire Boulevard, 3rd Floor
Los Angeles, CA 90017

Dear Mr. Eisenberg:

This report summarizes the results of our engagement to provide Proposition A and Proposition AA performance audit services as required by California Proposition 39 for the fiscal year ending June 30, 2005. This performance audit evaluated the processes and controls needed to achieve construction program cost, scope and schedule goals established by the Proposition A and AA measures, and to provide commentary on cost factors which affect the facilities improvements on the campuses of the Los Angeles Community College District (District). Amounts listed in this report are from the District books and records and have not been subject to the District financial statement audit procedures. Good practices and improvement opportunities, as identified at the time of report issuance, are identified in this report.

This engagement was performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants as outlined in our engagement letter dated July 28, 2005. The scope of this engagement is outlined in the body of our report. Our report was developed based on information from our interviews with District employees and our testing and analysis of Proposition A and AA bond program documentation.

This report is intended solely for the use of District Administration, the Bond Citizens' Oversight Committee and the District Board of Trustees (Board). Moss Adams LLP does not accept any responsibility to any other party to whom this report may be shown or into whose hands it may come.

We would like to express our appreciation to you and all members of your staff for your cooperation throughout this performance audit.

Sincerely,

MOSS ADAMS LLP



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OBJECTIVES AND SCOPE

This performance audit evaluated the Los Angeles Community College District Proposition A and AA Bond Program compliance, program performance controls and efficiency. We have evaluated whether an appropriate control structure has been developed for implementation of the Proposition A/AA Construction Bond Program. We have also tested expenditures during the period July 1, 2004 through June 30, 2005 for compliance with Bond Program objectives. Expenditures listed in this report are from the District books and records and have not been subject to or impacted by the District financial statement audit procedures.

Our performance audit team has validated construction program expenditures against Bond program requirements and contract terms and conditions and analyzed program level controls. We have reviewed key program documentation including draft copies of the College Facilities Master Plans, District Board Rules and Administrative Regulations, and the Program Management Plan. We have also evaluated policies and procedures against construction industry good practices as put in practice by the District, the DMJM/JGM Program Management Team, and the College Project Managers. We conducted over fifty interviews with District, Colleges and Program Manager staff, including all College Presidents and College Project Managers and nearly all College Facility Managers.

A sampling of other Bond Program documents reviewed includes:

- Voter materials and Bond documents
- Facilities planning documentation
- Procurement bid and award documentation
- Contracts
- Payment applications and invoices
- Relevant financial records and transaction support
- Board of Trustees and District Citizens' Oversight Committee (DCOC) reports
- Board of Trustees agenda packets and minutes
- Staffing plans

BACKGROUND INFORMATION

The Proposition A Community College Facilities Construction and Repair Bond Program was approved by voters in 2001 to provide \$1.245 billion in improvements to Los Angeles Community College District facilities. The Proposition AA Bond was approved by voters in 2003 to provide \$980 million in improvements to Los Angeles Community College District facilities. The total Proposition A and AA dollars are \$2.225 billion.



The Bond funds are to be used for the renovation, repair and replacement of aging educational facilities and the construction of new facilities. Bond Programs of this size and complexity require appropriate financial processes and operational controls to ensure compliance, effectiveness, program cost, schedule, quality and efficiency goals are achieved.

In August 2001, the District Board of Trustees approved an award of the contract for program management services to Daniel, Mann, Johnson & Mendenhall / Jenkins/Gales & Martinez, Inc. (known as DMJM/JGM, or the Program Manager).

Moss Adams was engaged to evaluate construction program controls and provide the required annual Bond Program performance audits for three years, beginning with fiscal year ending June 30, 2005.

EXECUTIVE SUMMARY

The District implemented controls for the use of school construction bond proceeds to comply with Proposition A/AA requirements. Total Bond Program fund expenditures were \$126,711,278 from July 1, 2004 through June 30, 2005 are recorded on the District’s books and records. Our performance audit evaluated Proposition A and AA expenditures between July 1, 2004 and June 30, 2005 totalling \$42,899,537 (34%) and found no exceptions with the use of Bond Program funds for approved Proposition A/AA purposes. However, we did question the contractual compliance of \$24,980 cost charges.

Proposition A bond funds	\$ 1,245,000,000
Proposition AA bond funds	<u>\$ 980,000,000</u>
Total bond funds	<u>\$ 2,225,000,000</u>
Prior Year Expenditures	\$ 299,163,504
July 2004 - June 2005 Expenditures	<u>\$ 126,711,278</u>
Remaining funds as of July 2005 (not including investment income from bond proceeds)	<u><u>\$ 1,799,125,218</u></u>

The amounts listed above are from District books and records and have not been subject to the District financial statement audit procedures.

The District’s plans for prudent use of Bond Program funds properly consider the students’ need for information, and a safe and secure learning environment. The scope of the Bond Program is currently being defined and communicated to District and College stakeholders by developing the Proposition A/AA Facilities Master Plan (Master Plan) for each College. Facilities planning



documents, used in developing the Master Plan, consider classroom space requirements, future growth, and technology needs.

A construction Program Management Plan and the Facilities Master Plans have been developed to implement consistent application of good construction practices as noted in our good practices observations in this report.

This report reflects procedural changes and actions taken through June 30, 2005 by the Program Manager, the College Project Managers, and the District since the last Performance Audits conducted in prior fiscal year by KPMG.

Summary of Key Good Practices

- The District has implemented a Bond Program Office with formal project management procedures to oversee and report on the Bond. This Bond Program Office is managed by DMJM/JGM.
- There is significant Board of Trustees involvement in the Bond program. Board committees such as Infrastructure oversee key areas related to the Bond. The Bond Steering Committee, comprised of the Board, College Presidents and staff, provide an additional layer of informed oversight to the Bond program.
- There is a District Citizens' Oversight Committee, as required by law. In addition, each college has its own Citizens' Oversight Committee. The District-level Committee includes all required representation and representation from each college.
- Shared governance is used to inform and involve students, faculty, staff and Bond consultants/contractors in the Bond Program for that College. There has been Board, staff and citizen training regarding design and construction processes, procedures and terminology to build a common understanding and common language around construction for shared governance.
- The procedures specific to the review of invoices and payment applications are thorough and well-supported.
- The District is using standardized contracts, which have been developed by legal counsel with construction experience.

Summary of Key Opportunities for Improvement

At its meeting on July 13, 2005, the District's Board of Trustees asked Moss Adams to comment in its performance audit on whether the District and its Bond Program were organized and staffed sufficiently to control an additional 100 or more construction projects to be awarded over the next year. We have identified critical improvements designated in the body of our report as "high priority."

Key opportunities for improvement are summarized below:



- Although the District has implemented project management policies and procedures which govern the Bond Program, prior audits have noted that these procedures need to be adjusted to reduce cycle time and unnecessary layers of review. The District has completed its reengineering effort for the project management processes. Implementation of the reengineered processes should include defined responsibilities and accountability for needed improvements.
- The District has defined safety practices for the Bond Program, including a Program Health, Safety & Environmental Plan and a Field Safety Handbook. The College Project Managers have defined safety practices consistent with District safety requirements. However, we observed and documented unsafe practices on one campus during a site visit, and learned of another unsafe practice during an interview with a College President. Auditing and strengthening safety practices and safety awareness is another opportunity for improvement.
- All invoices submitted by DMJM/JGM for DMJM/JGM's program management services require detailed review for accuracy and compliance with Bond and approved contract terms and conditions. This should be done by a party independent of the Program Manager, such as the District's internal audit group or through contracted audit services.
- As the Bond Program faces a significant increase in construction activity expenditures over the next year, special attention should be given to those recommendations pertaining to project controls which include project scheduling, project cost forecasts, and project cost estimating resources at both the Program Manager and College Project Manager levels. It is important to ensure there are appropriate processes and controls in place and adequate numbers of experienced staff to perform project scheduling, cost reporting and cost estimating functions.
- Additional focus should be concentrated on the earned-value analysis for all projects. Earned-value analysis is the continuous measurement of what was achieved against what was spent, in order to predict the final costs and final schedule results for a project or program. Additional resource focus should also be placed on financial reporting and cost controls for multi-funded projects.

EXPENDITURE TESTING RESULTS

Our performance audit evaluated Proposition A and AA expenditures between July 1, 2004 and June 30, 2005 totalling \$42,899,537 (34%) and found no exceptions with the use of Bond Program funds for approved Proposition A/AA purposes. However, we did question the contractual compliance of \$24,980 cost charges.

- Six invoices tested were submitted to DMJM/JGM, reviewed/approved by DMJM/JGM, approved by the District and paid using rates for employees higher than those approved in the Board contract and amendments. The rate difference between the approved and the used rates was overpayment of \$20,085.



- Three invoices totalling \$4,375 were submitted to the District and DMJM/JGM and reviewed and approved by the District and DMJM/JGM. The invoices lacked support of hourly rates to assess correct billing.
- Duplicate payments of \$386 were made to a contractor or invoices and reimbursements submitted twice.
- A request for reimbursement was made for reprographics for \$17.54; however, payment was made for \$117.54. An unallowed amount was paid to the vendor of \$100.
- A reimbursement for \$34 was made for meals that were considered to be an unallowed cost in the board-approved contract.

Our sample selection for testing was determined by selecting all payments over \$250,000, removing all multiple payments to the same vendor to ensure an even sample of vendors, and then selecting a random sample of 60 payments from each Bond program A and AA. We also used professional judgement to select two payments made by LACCD to DMJM/JGM for program services provided by DMJM/JGM. We obtained a total sample of 174 expenditures for testing of fiscal year 2005 Proposition A and AA expenditures.

All expenditures were traced and agreed from vendor submitted invoices and supporting documentation to Board approved contracts, billing rates approved in the contract, types of reimbursements claimed against the allowed reimbursements under the contract, and the types of services submitted for payment to allowable services under the proposition 39 regulations.

⇒ Management Response: It is important that every payment made be accurate. However, 100% accuracy and the need for prompt payment may not be compatible goals. The program management team has initiated appropriate activity to recover these overpayments from the affected contractors, and is strengthening its payment review process. In addition, management is exploring the idea of having the performance auditors, or a separate consultant team, perform a regular and ongoing review of every payment to assure that every check issued by the Proposition A/AA program is accurate.

Other Issues Identified

- Invoices submitted by DMJM/JGM for DMJM/JGM program management services were not reviewed and compared to actual contract rates and allowable cost by someone other than DMJM/JGM to determine if rates and amounts invoiced were allowable under the board approved contract and proposition 39. We reviewed two invoices totalling \$3.212 million from DMJM/JGM for its own services, and found no deficiencies.

Improvement Opportunities

Expenditure testing resulted in the following recommendations:



- a) Continued diligent payment review and follow up by the Program Manager is needed to prevent erroneous payments and to ensure that correct payments are made. There should be evidence in the file, such as a completed checklist, which indicates that key payment review items have been considered, such as:
 - Billing rates which match the Board approved contract and any approved amendments.
 - A match between time frame of service performed and the Board approved contract or any approved amendments.
 - b) On District-managed contracts using Bond funds:
 - The District should ensure there is adequate supporting documentation for a detailed review of invoices against original and amended contract terms and conditions.
 - The Program Manager should hold the same standards and ensure the same detailed review is performed for District-managed contracts, regardless of whether these invoices have been approved by the District.
 - Payments to contractors should be delayed until proper supporting documentation is received.
 - Contractors should be notified in the contracting and engagement kick-off process about the Bond program invoicing requirements.
 - c) All invoices submitted by the Program Manager for DMJM/JGM's program management services need detailed review for accuracy and compliance with approved contract terms and conditions. This should be done by a party independent of the Program Manager such as the District's internal audit group or through contracted audit services.
- ⇒ Management Response: Although the exceptions noted were relatively small for a large program with thousands of payment requests and detailed justification for each payment request, the District and program management team will make additional efforts to refine payment request review processes to catch as many exceptions as possible. The addition of extra staff for this purpose is not considered to be a viable option due to the lack of an effective cost/benefit justification given the non-material nature of the payment problems contrasted with significant additional staff cost such a solution would require. One option that will be explored is having the contract auditors provide a real time review of weekly and monthly DMJM/JGM payment requests to the District.



FOLLOW-UP ON PREVIOUS AUDIT RECOMMENDATIONS

We reviewed the three previous Bond Program audit reports by KPMG, and the study prepared by Hickling & Associates. We interviewed District and Program Management personnel to determine the status on resolving open audit issues. Through inquiry and review of documents, we confirmed that 47 of the original 57 issues have been resolved, nine issues are open and are being resolved, and there is one unresolved issue.

It is believed that these nine open issues will be resolved when Proliance software and the business process re-engineering changes are implemented, as follows:

- Eliminate unnecessarily complicated processes and forms. Decrease cycle time for completing required policies and procedures (Hickling 2005).
 - The Proliance software contains a functionality for approval processes and forms, which can be used to decrease the Program Management Plan cycle time.
- Identify and implement an electronic project information system to support on-demand information and instant reporting. The software should enable multiple levels of project collaboration, approvals, cost control and retention of project history (Hickling 2005).
 - The Proliance software is an electronic project information system, and incorporates the requirements listed above.
- Ensure that policy and procedure communications are standardized, clear and concise. Enable flow of information and two-way communication, including feedback from campus personnel and CPMs (Hickling 2005).
 - The business process re-engineering and associated Program Management Plan (PMP) revisions provide standardized methods for two-way team communication.
- Determine whether the use of District forms for budget transfers should be enforced. (KPMG 2004).
 - The Proliance software incorporates the District budget transfer form, as developed in the Program Management Plan.
- Volume III of the PMP should be finalized and approved (KPMG 2004).
 - The business process re-engineering and associated PMP revisions do finalize all draft components of the PMP.
- Finalize PMP Vol. III bidding procedures (KPMG 2004).
 - The business process re-engineering and associated PMP revisions do finalize all draft components of the PMP.
- Improve the frequency and timeliness of information; investigate web-based communication tools (KPMG 2003).



- The Proliance software is a web-based communication tool which enables timely communication and real-time data retrieval.
- Evaluate software for user-friendly options and improvements, or improve training (KPMG 2003).
 - The Proliance software will be more user-friendly and intuitive than the existing Prolog system.
- Initiate web-based reporting for all campuses (KPMG 2002).
 - The Proliance software is a web-based communication tool which enables real-time data retrieval and reporting for all team members on all campuses.

The single unresolved issue requires the completion of the Environmental Impact Report (EIR) and Facilities Master Plan for Los Angeles Mission College.

LACCD Audit Resolution Status

Source	Issues Identified	Issues Resolved	Solutions Being Implemented *	Unresolved Issues **	Issues Remaining to Audit
Hickling 2005	5	2	3	0	0
KPMG 2004	20	17	3	0	0
KPMG 2003	17	14	2	1	0
KPMG 2002	15	14	1	0	0
Total	57	47	9	1	0

* These issues will be resolved through the implementation of Proliance and the Business Process Re-engineering

** The Mission College EIR and Facilities Master Plan have not yet been approved

Improvement Opportunities:

- a) We noted that neither the Program Manager nor the District had a formal monitoring and reporting process to ensure that audit issues are resolved in a timely and effective manner. We recommend that audit issues be monitored by the Program Manager until all open items are resolved and that progress be reported to the Board at least quarterly.



- ⇒ Management Response: While not overly formal, DMJM/JGM management currently works to craft timely and effective responses to all audit recommendations. The Program Team will continue to enhance the process to facilitate timely resolutions. A quarterly audit recommendation review process will be established to determine the status and possible resolution of each audit recommendation.

KEY OBSERVATIONS

The following improvement opportunities have been ranked as high, medium, or low priority based upon our analysis and experience with respect to probability and potential impact to construction program cost, schedule, and scope. Improvement opportunity prioritization is based on the need to address those items that most strongly align with District construction program success drivers.

1. Compliance with Ballot, Bond, State and Other Funding Source Requirements

We evaluated Bond Program financial records and expenditure cost support to verify that funds were used for approved Bond Program purposes as set forth in the Ballot Measure and Bond Documents. In accomplishing this work, we reviewed Bond Program accounting records, contracts, purchase orders, invoices, payment records and other documentation of current expenditures as needed to determine if funds were being used for approved Bond Program purposes.

We performed a walkthrough of the Bond Expenditure Cycle and sampled supporting documentation for expenditures totalling \$42,899,537 (34%) of the total \$126,711,278 of Proposition A and AA funds expended between July 1, 2004 and June 30, 2005. Expenditures reviewed in this report are from the District books and records and have not been subject to or impacted by the District financial statement audit procedures.

See Appendix A for further information on sampled expenditures.

Good Practices:

- a) The District spent \$126,711,278 of Proposition A/AA funds in the period July 1, 2004 through June 30, 2005, and has implemented expenditure management processes including pay application review and signature approval to comply with Bond Program requirements.
- b) Steps have been taken by the District and the Program Manager to require expenditure approvals specific to the Bond Program. The District and the Program Manager have developed financial controls to manage the expenditure of Bond funds.



Controls are in place to help ensure that amounts billed represent actual work performed and are consistent with contractual requirements.

- c) The Bond Program Management Plan augments District use of the California Community Colleges Budget and Accounting Manual by providing District-specific written policies and procedures regarding expenditures for the construction program.
- d) Legal counsel was consulted when developing Bond ballot language, including the facility project list.
- e) The project naming methodology makes an effort to link projects to the categories listed in the Bond ballot, and Bond ballot language is referenced in the planned project descriptions or project name as shown the College Facilities Master Plans.
- f) The District uses the services of internal and external legal counsel to help ensure Bond fund spending compliance with such items as: public bidding law, Brown act, citizens' oversight requirements, eminent domain, dispute/claims resolution, and insurance requirements.
- g) The Proposition A/AA Construction Bond Program addresses current curriculum needs and objectives as stated in the Bond materials and the Facilities Master Plans.
- h) The Proposition A/AA Bond Program Facilities Master Plans and projects address priorities as intended in Proposition A/AA.
- i) The District Citizens' Oversight Committee, College Citizens' Oversight Committees and College Shared Governance Committees represent a cross-section of the community and stakeholders. Their responsibilities include review of Bond construction status and expenditures.

Improvement Opportunities:

High Priority:

- a) Internal control and reporting procedures over projects with multiple funding sources need to be developed and implemented by the District, and incorporated into the Program Management Plan. Contract development and payment procedures are dependent upon the entity that manages the project. If the project is 51 percent Bond funded, the Program Manager develops contract documents and initiates invoice payments. If 51 percent non-bond funds, the District develops the contract documents and initiates invoice payments.
 - ⇒ Management Response: Comprehensive reporting of all District capital expenditures is essential. The district management is currently developing mechanisms for reporting and procedures for internal controls over multi-funded projects. These mechanisms are being incorporated into a procedural document to be distributed and communicated to the members' program team. In addition, the implementation of a planned reorganization of District



facilities staff will further integrate capital responsibilities at each College providing a clearer basis for capital expenditure reporting.

2. Regulatory Compliance

We evaluated controls implemented to comply with selected Federal, State and local requirements as well as Proposition A/AA requirements as noted in the good practices. This included seeking evidence of regular communication with the California Community College Chancellor's Office (CCCCO, or State Chancellor's Office) and the Division of State Architects (DSA), and the review of published policies, plans and procedures.

Analysis of control structure to address the following types of compliance areas was performed:

- Changes approved by DSA per Section 4-338, Part 1, Title 24, CCR
- Continuous inspection per Section 4-232, Part 1, Title 24, CCR
- 29 CFR 1926 OSHA Standards for the Construction Industry
- California Injury and Illness Prevention (IIP) Program
- CCR, Title 8, Section 11160 poster - Industrial Welfare Commission Order #16-2001
- SB-198 poster, Company IIP Compliance

Good Practices:

- a) The Facilities Master Plan and EIR have been completed and approved for all Colleges, with the exception of Mission College.
- b) The Program Manager has defined safety practices for the Bond Program, including a Program Health, Safety & Environmental Plan and a Field Safety Handbook.
- c) The College Project Managers have posted safety and emergency information in the construction trailers.
- d) The Labor Compliance Plan is defined as required by Assembly Bill 1506 and implemented by Padilla & Associates.
- e) An open line of communication exists between the Program Manager, the District, and the Division of State Architects (DSA).
- f) The Program Manager has an issue escalation process with the DSA when Colleges need increased attention or response from DSA. This process has been communicated to College Project Managers during round table meetings.
- g) The Bond Program applies the District Board of Trustees statement on sustainability and the energy efficiency amendment, which mandates Leadership in Energy and Environmental Design (LEED)-certified construction for new buildings and major renovations which meet certain budget or scope criteria.



Improvement Opportunities:

High Priority:

- a) Implementation of construction safety programs should be audited and strengthened on every campus. We observed and documented unsafe practices on one campus during a site visit. The Program Manager should use a scorecard to evaluate the College Project Managers' construction safety practices.
 - ⇒ Management Response: Management concurs with recommendation and currently has a safety performance and review plan in place. We will strive to enhance this as a learning tool for the CPM firms in an effort to continuously improve our outstanding safety record. The recently approved CPM contracts now provide that all members of the CPM team are responsible for safe practices at each College. In addition, the Owner Controlled insurance program provides a variety of experts to assure that safe practices are followed at all times.
- b) Documentation of safety incidents by College Project Managers should be enforced, and all safety incident reports should be centrally recorded and monitored at the Program Management office.
 - ⇒ Management Response: Management concurs with recommendation and currently has a safety performance and review plan in place. We will strive to enhance this as a learning tool for the CPM firms in an effort to continuously improve our outstanding safety record. A log will be maintained on a regular basis, and safety issues will be discussed at each monthly College Project Manager roundtable meeting to further reinforce the need for constant awareness of the need for safe practices.
- c) Completion of Americans with Disabilities Act (ADA) transition plans or ADA compliant designs for every college by the appropriate designers is urgently needed to be compliant with the DSA process and avoid additional delays.
 - ⇒ Management Response: Each College is in the process of completing its ADA Transition Plan, if none already exists. These should be complete at all Colleges within the next few months. A monthly status check will be implemented by the program management team to assure that the ADA Transition Plans at each College are heading towards a timely completion.
- d) The Facilities Master Plan and Environmental Impact Report need to be approved for Los Angeles Mission College.
 - ⇒ Management Response: Due to a variety of circumstances outside of the control of the District and Mission College, it has been difficult to bring this task to closure. However, the recent release of the EIR for Mission College and its expected completion in early 2006 will fulfill this recommendation.



- e) The District should continue to monitor the California Community Colleges Chancellor's Office progress with the State Architect on improving the DSA approval process for building projects (AB162).
 - ⇒ Management Response: The District has been participating actively on a statewide taskforce created to improve the relationship between DSA and the community colleges. In addition, the District has been undertaking a formal partnering process with DSA directly to further create a positive working relationship with DSA. As a result, the District has actively monitored progress, and will continue to do so until all issues with the DSA are resolved.

3. Communication and Fulfillment of Site Expectations

We reviewed the various tools used by the District to communicate Bond Program plans with stakeholders, especially the students, faculty, and the surrounding community. We interviewed all college presidents, all college project managers and most facility managers to better understand the specific types of communication that are occurring on campus and in surrounding communities. This analysis included assessment of whether or not a constant and adequate level of communication was maintained regarding the projects and program.

The methods to communicate renovation plans for each site and new construction plans were reviewed and compared to good practices. This included the review of published plans and evidence of presentations to college shared governance committees, building user groups, College Citizen's Oversight Committees, District Citizen's Oversight Committee members, faculty, students, the community, District personnel, Program Manager personnel, College Project Managers' personnel, and the Board of Trustees. Responsibility and accountability for site communication of project performance and coordination of site activities was reviewed.

Good Practices:

- a) The District Proposition A/AA policy and procedures manual contains a communications plan, principally defined as The Community Outreach Program (TCOP).
- b) The community is kept informed about the Bond program through the District Citizen's Oversight Committee meetings, on-campus meetings, presentations to professional societies and community organizations and Program Manager newsletters.
- c) Some Colleges do additional communication through newsletters, e-mail blasts, local Citizens' Oversight Committee meetings, College shared governance committees, building user groups, and town hall meetings on campus. Colleges and College Project Managers have issued "Construction Alerts" to the community to alert them of disruptions.



- d) The Proposition A/AA Bond program website provides a means for communication of Bond program plans to the community and stakeholders. Contracting and E-7 internship information, project status and financial reporting, Bond details, LEED information, and Construction Alerts are available on the Bond website.
- e) Individual project overview and status are communicated on the Bond website and in the Program Manager newsletter.
- f) Meetings to communicate small business outreach are held on the District College Campuses.
- g) A “fly-through” or other computer-generated graphic presentation is done for projects that are LEED certified or are valued at over \$7.5 million. This more clearly communicates the project to stakeholders, and provides visual clarification.
- h) Communication of the Owner Controlled Insurance Program (OCIP) is done through workshops, OCIP manual, and wallet cards.
- i) Education of College Project Managers and other team members is provided by the Program Manager and others regarding DSA procedures, such as the “DSA 101” workshop, ad hoc sessions, quarterly workshops and monthly roundtable forums.
- j) College Project Managers have communicated the reporting and invoicing requirements to contractors, by providing them with compact discs which contain standard forms and Program Management Plan requirements.
- k) A crisis communications plan has been developed and distributed to the District and every college.
- l) Education and communication about the LEED program is done at community, campus, program, district and public levels, including conferences, professional society presentations, college-level courses, roundtable discussions, and informational materials.
- m) Technical bulletins are used to communicate Program Management Plan issues and clarifications.
- n) Lessons learned are shared at the college program management round table meetings.

Improvement Opportunities:

High Priority:

- a) Recording and sharing of lessons learned is performed with varying degrees of success by the College Project Managers. Centralized recording of lessons learned should also be done at the Program Management level and observations should be captured from the round table meetings. Lessons learned should be shared with College facility management and college presidents.

⇒ Management Response: The size and scope of the LACCD Bond program makes an active program of sharing lessons learned critical. The long period



of time that this program will be active also makes this recommendation highly achievable. At present, work is underway to document and evaluate lessons learned. Where possible, cost savings are being identified for these lessons learned as well. The monthly CPM roundtable and semi-monthly meetings of the District Chancellor's Cabinet provide ready venues for sharing of lessons learned. This does happen frequently with much positive effect at present. Further emphasis will be placed on this endeavor to assure that all College project managers understand the information presented as a lesson learned.

- b) There are varying levels and methods of communication done by each College, such as newsletters, e-mail blasts, and town hall meetings. As construction activity increases, every College should examine and increase its communication related to construction, safety and travel and parking alternatives.

⇒ Management Response: With the recent renewal of the MWW contract, and a gearing up of construction activity at each College, more and more is being done to fully communicate the status of the Bond program. A revitalized web presence, college newsletters, and periodic open forums are now being held, to clearly communicate the status of Bond program activity. This effort will increase to assure a strong presentation of the necessary information to appropriate stakeholders.

- c) Additional safety information that directly affects the community needs to be available at all of the construction sites on all College campuses, such as noise and hazard advisory and clearly visible emergency contact information (name and telephone number).

⇒ Management Response: As noted above, management concurs with this recommendation. An active and comprehensive safety program is in place and features active safety notification and communication protocols. We will strive to enhance this in an effort to continuously improve our outstanding safety record.

Low Priority:

- a) There is no information about the Surety Bonding Program on the website at this time. That information should be added to the Bond Program website.

⇒ Management Response: Management concurs with recommendation. This information is being refined, and will appear on the website shortly.

- b) Construction information is not current on all college websites and emergency and alternative route information is not always present. This information should be reviewed periodically by the Colleges in conjunction with the College Project Managers, and updated.



- ⇒ Management Response: Management concurs with recommendation and will strive to enhance the information transfer between the CPM firms and the College external communications staff who maintain control of the College websites. In addition, the District's proposition A/AA website is being significantly improved, and will further facilitate the availability of this information to all interested individuals.

4. Facilities Programming and Master Plan Approach

We evaluated the processes used to identify facility needs, programming and coordination to comprehensively address site requirements. Coordination with maintenance, user groups, key stakeholders, and Academic Affairs was considered in this analysis, along with the inclusion of appropriate personnel. The performance audit team reviewed site assessments, master plans, and relevant reports. We looked for a business justification and indicators of success for each project, including measurable anticipated benefits and the impact of the project on the District's operational performance. We evaluated the Facilities Master Plan activities for consideration of student needs and future receipt of maintenance funds in assessing the equitable and fair use of Bond Program funds.

Good Practices:

- a) The Facilities Master Plans for the Colleges provide a means to achieve equity of facilities among departments and programs while giving consideration to available Bond proceeds and work flow timing.
- b) Facilities projections for the Colleges were based on population growth estimates.
- c) Prioritization of College projects is driven by need and staging, with input from the shared governance committees and building user groups on most campuses.
- d) Population distribution, need for parking relief, use of surge space and temporary/permanent relocation of departments were considered when developing the College Facilities Master Plans.
- e) For most College campuses, District and College administrative staff and faculty, student representatives, architects, inspectors, consultants and construction personnel are all included in the facilities planning process.
- f) Flexibility is incorporated in the Bond program at several Colleges. Lecture space can be used as needed for various departments. Some buildings have been specifically designed as dual-purpose spaces.
- g) The College Facilities Master Plans are intended to provide the basis for the Bond Program scope and project time phasing.
- h) The Program Management Plan formalizes policies and procedures related to facilities administration, design, and construction. This plan also addresses change management for campus master plans.



- i) A scheduled maintenance plan is in place on the College campuses.
- j) Maintenance and operations staffing requirements for most College campuses have been evaluated, and additional staff needs identified, using the increased total square footage as the basis for analysis.
- k) Program-wide design and procurement efforts have been used to address maintenance costs, through the selection of maintenance-free materials, reduction in energy costs through sustainable design, and procurement agreements which include unlimited warranties for 15 years.

Improvement Opportunities:

Medium Priority:

- a) A facilities use plan that integrates the facilities master plan and the education master plan should be developed to respond to changing education and enrollment conditions, based upon the District and Colleges' annual review of program growth projections. On some College campuses, the laboratories and special-purpose spaces do not offer flexibility to accommodate multiple or changing needs.
 - ⇒ Management Response: College facilities master plans were created as an outgrowth of each College's education master plan. However, these plans do change over time. Both the education master plans and facilities master plans are evolving as more and more information is acquired about the educational needs of the Los Angeles region. The District's current strategic planning effort will guide much of this effort over the next few years. Further, the refinement of the Board of Trustee committee structure will further enhance the relationship between education and facility plans. Based on the changing educational needs, current design efforts have been directed to provide as much flexibility in building space to allow the Colleges to meet changing demands in the future.
- b) A facilities condition assessment was conducted at each campus at the start of the Bond Program. This assessment used industry averages to project facilities conditions and needs to 2012. The Colleges and the District should update its existing facilities condition assessment every three years based on walk-throughs and reviews by facilities engineers to ensure that, at a minimum, health, safety and code compliance requirements are met.
 - ⇒ Management Response: Although this recommendation is prudent, a specific walk through of the type done by the District in the late 90's is expensive. Funding does not exist at the moment for this type of exercise, and current staffing levels do not allow for the commitment of resource to this type of effort. However, all work being done under the Bond program, and with other fund sources is designed to bring all LACCD Colleges and their respective facilities into complete compliance with all federal, state, and local code



requirements. Since nearly every existing building will be addressed under the Bond program, it is expected that all existing buildings and any new building will be fully code compliant in the future.

- c) A common, district-wide set of building standards and specifications is a strategic opportunity for the District to reduce the effort and costs associated with researching, designing/specifying, purchasing, storing (e.g. spare parts) and maintaining facilities and equipment. Building standards assist in purchasing planning, simplify the procurement process and set the foundation for bulk purchasing. Good building standards and specifications also build in flexibility to optimize choices and potential benefits. Although many projects in the Bond are past the stage where they would benefit from a common set of building standards and specifications, the District should work with colleges to adopt a common, district-wide set of building standards and specifications that would apply to new and replacement projects in the future.

⇒ Management Response: Common purchasing standards and bulk procurement opportunities do provide a potential for significant cost savings and efficiency in maintenance practices. That is why the District has moved to implement a series of bulk purchasing opportunities including furniture and building materials that are resulting in real savings under the bond program. In a district with delegated decision-making and an active shared governance process, the establishment of specific district-wide standards is very difficult to implement. Whenever possible, the district will seek out these opportunities in cooperation with the Colleges.

5. Procurement Controls and Contract Administration

We reviewed District procurement controls for consistency, adherence to District Purchasing Policies and application of competitive and fair subcontracting practices. Procurement controls were evaluated for application of competitive and fair subcontracting practices.

Good Practices:

- a) The Program Management Plan includes competitive bidding processes that address construction project bidder prerequisites and selection criteria. The competitive bidding procedures provide for verification of bidder compliance and comparison of bidder qualifications and pricing.
- b) The development of the Program Management Plan incorporated and expanded upon existing District procurement policies and procedures.
- c) Program flexibility in contracting enables potential cost savings such as:
 - Protection of funds from cost escalation, by locking in a fixed price on design-build contracts



- Avoidance of contractor's mark-up through the use of multi-prime contracts
- d) Use of a Project Labor Agreement helps to ensure a ready supply of construction labor, and prevents strikes, stoppages, and lockouts.
- e) Contract approval is limited to a list of authorized individuals. Detailed approval procedures are described in the organization charts and flow sheets in the Program Management Plan.
- f) Each purchase order contains an account string which specifically identifies the College campus and Bond project, and a description which provides language that identifies the items or services relating to Bond projects.
- g) Purchase orders which are paid for by both Bonds identify, by account string, the amount required from each funding source.
- h) The Program Management Plan requires the use of checklists to improve complete documentation of the procurement process and to prepare contract files.
- i) Contracts and contract change orders have been applied to work performed.
- j) A schedule of fees and scope of services are included in contracts.
- k) Standardized contracts with explicit terms and conditions are used, were developed by legal counsel, and are reviewed on an annual basis.
- l) Liquidated damages were included in contracts to protect against schedule overruns.
- m) Bulk purchasing programs were being developed, for such items as furniture, concrete, and steel.
- n) A program Owner-Controlled Insurance Program (OCIP) was developed to yield savings based on economies of scale, contractor's markup, and overhead for insurance management.
- o) Some College Project Managers have bundled together smaller work efforts into one larger project. This practice makes the project more attractive to larger and more experienced bidders, and can improve bid quality, contractor quality, and bid price competition. In bundling projects, the College Project Manager manages fewer bids and oversees fewer contractors, which can also result in administrative cost savings.

Improvement Opportunities:

High Priority:

- a) Less experienced contractors should be more carefully managed in the field by the College Project Managers with oversight from the Program Manager. In their management and monitoring of contractors, they should address issues which have surfaced regarding the quality of low bid contractors, including:
 - Ability to adequately schedule work
 - Safety concerns



- Quality of customer care, including sensitivity to the needs of an operating College campus
- Availability of skilled resources
- Familiarity with LEED construction
 - ⇒ Management Response: As the District is a public entity it must adhere to Public Contract Code and therefore must utilize a low bidding environment. This by its nature is inherently wrought with challenges such as those mentioned in this finding. The District actively works with all our contractors to train and educate them on the program requirements.
- b) An online bid advertisement program (E-bid) is being used successfully by one College Project Manager, to outreach to more contractors during the bidding process. We recommend that other College Project Managers investigate using a similar system.
 - ⇒ Management Response: We concur. Management is currently in the process of implementing a program wide system (“The Network”) to facilitate the bidding outreach efforts of the program. Training has been completed and specific content data has been submitted for publication.
- c) The Contractor Prequalification Policies and Procedures, part of the Program Management Plan Vol. II Sec. I should be completed and implemented by the Program Manager.
 - ⇒ Management Response: We concur. While a prequalification procedure is not mandated by law, the District is developing in conjunction with its outside legal counsel, a procedure which may be implemented in situations where it benefits the District.

Medium Priority:

- a) The Program Manager needs to implement its draft Internal Quality Assurance and Quality Control (QA/QC) audit procedures.
 - ⇒ Management Response: Management concurs with recommendation and will strive to enhance the internal QA procedures.
- b) The College Project Managers should closely monitor and manage the performance of design consultants, as required by contractual agreement, in order to ensure the completeness and correctness of existing and future bid packages and specification books. All District and College requirements must be explicitly noted and satisfied during the procurement process.
 - ⇒ Management Response: The College Project Managers are bound contractually to perform this function. The District and the program manager will provide additional training to help ensure that the CPMs are able to manage the architects, engineers, and other consultants in a manner that



allows them to provide complete professional bids and specifications for the bond program.

- c) Additional District bulk purchasing agreements could yield cost savings for reimbursable expenses, such as reprographic services, computers, software, and construction trailer supplies. The District should continue to explore strategies for bulk purchasing.
 - ⇒ Management Response: Management concurs with recommendation and will strive to implement an appropriate procedure.

Low Priority:

- a) The success of at-risk individuals in the E-7 Jobs program should be evaluated by the Program Manager regarding individual on-the-job performance and the employee's need for additional supervision, as part of the apprenticeship program.
 - ⇒ Management Response: Management concurs with recommendation. E7 staff does monitor performance and interacts with employers of all interns and at-risk hires to evaluate performance. As this portion of the program matures, there will be more opportunity for this type of monitoring activity.
- b) Program Manager documentation needs to be complete and correct for all contract files, especially insurance documentation and the Pre-Award Checklist. Some documents were found to be misfiled or missing despite the use of a checklist process. The Program Manager should institute random spot checks to encourage completeness and compliance.
 - ⇒ Management Response: Management procedures require multiple reviews prior to the approval of a contract. The program management team will continue to strive to ensure that all applicable documentation is complete and appropriately filed.

6. Contractor Liens, Claims and Other Closeout Issues

We evaluated the District's policies, procedures and practices to obtain lien releases, prevent claims and address project closeout issues. This review included analysis of checklists, procedures, retention policies, and contract terms and conditions. The performance audit team looked for implementation of procedures to clearly identify the parameters for contractor performance, and compared the District's closeout procedures to good practices. This included review of the criteria for all relevant parties to determine whether a project is complete. The team also evaluated the processes to verify there is full and complete release of contractor liens and other claims prior to final payment.



Good Practices:

- a) Detailed Dispute and Claims Management procedures are included in the Program Management Plan.
- b) There is a higher likelihood of user acceptance and facility acceptability, because of the shared governance process which enables input from faculty, staff, facilities, students, college president and others during the planning, design and construction phases.
- c) A formal project close-out procedure is included in the Program Management Plan, which incorporates specified submittals requirements, LEED-specific commissioning procedures, walk-throughs, videotaped systems training, DSA closeout, and lessons learned documentation. The process includes a final inspection acceptance and notice of completion, which releases retention monies due and enables final payment.
- d) A formal contract close-out procedure is included in the Program Management Plan, which incorporates a contractor performance evaluation form and requires a final contract report.
- e) A formal dispute and claims management process is included in the Program Management Plan, incorporating claims avoidance, mediation, and the establishment of a Meet and Confer Conference Panel.
- f) Some Colleges include the end-users in the final walkthrough and facility acceptance process.
- g) DSA certified District inspectors can work on Bond projects, but are not paid by Bond funds, which can result in Bond program savings.

Improvement Opportunities:

High Priority:

- a) The mechanism for the assignment of inspectors from a pool of available DSA-certified inspectors should be evaluated by the District and the Program Manager. Consistency of inspectors throughout the construction process is a recurring issue for many Colleges and College Project Managers.
 - ⇒ Management Response: Management concurs with recommendation and will strive to implement an appropriate procedure.
- b) Some Colleges could benefit by including the end-users in the final walkthrough and facility acceptance process. We recommend that the College Project Managers for each College investigate this option.

Management Response: The District embraces shared governance and each College currently has procedures in place to deal with this issue. Additional training and information will be provided to the Colleges to assure that end users have an opportunity to participate in these important activities.



Medium Priority:

- a) A District facilities closeout checklist should be developed to facilitate user acceptance and closeout.
 - ⇒ Management Response: The transfer of a completed facility to the end users does require a specific process and checklist. The District will work to compile an end of project checklist for building transfer. This checklist will include training protocol for college staff on the operation of the building. It will also include documentation of warranty and product maintenance information.

Low Priority:

- a) The contract close-out process should be amended in the Program Management Plan to include a notation in the contract file that the contract is closed, all documents have been received, and final payment has been made.
 - ⇒ Management Response: Management concurs with recommendation and will strive to implement an appropriate procedure.

7. Cost, Schedule and Budgetary Management and Reporting

We reviewed Bond Program reporting to provide current, accurate and complete cost, schedule and budgetary information to Program stakeholders. Based on the interviews and information gathered, analysis was conducted to determine whether or not there is adequate executive oversight and involvement in each of the audited projects. This analysis also reviewed the cost, schedule and budgetary management and reporting methodologies.

Good Practices:

- a) The Bond Program has defined program performance reporting requirements.
- b) Various communication meeting forums are used each month to manage the Bond Program. These meetings provide for discussion and review of project status, budget reports, change orders and payment application approvals.
- c) The Program Manager is using independent third party estimators to provide design phase cost estimates, estimate checks, composite estimates, cost benchmarking against District averages, evaluation of cost escalation issues, and continuous improvement efforts in cost estimating.
- d) Program management software (Proliance) has been chosen as the tool to increase controls and communication, replacing the old Prolog system. The Program Manager has started implementation of Proliance.



- e) Bond Program reporting provides for executive-level review of project status and expenditures.
- f) The Bond Program has defined controls for budget modification.
- g) Project schedules are reviewed, updated, and published on a regular basis.
- h) Except for District-managed contracts, the District, the Program Manager, and the College Project Managers review and approve contractor costs for each signed contract.
- i) The Program Manager and College Project Managers review and address observed anomalies in sub-consultant timesheets, and adjust or request resubmittal of consultant invoices that appear to contain errors.
- j) Invoices have been held for payment until the contract documentation is complete and the purchase order issued.
- k) The Payment Application form requires a distribution of costs between Proposition A and Proposition AA funds. This was confirmed in the expenditure testing process.
- l) The Program Management Plan includes procedures for the review and acceptance of contractor payment applications.
- m) On all College campuses, payment applications are reviewed in the field with the architect, inspector of record, College Project Manager, and contractor prior to payment application submission at the end of the month. The review of percentage of completion prevents early payments for work not performed, and helps to manage Bond fund cash flow. A checklist is attached to payment applications by the Program Manager to communicate items reviewed and approved.
- n) Value engineering is required for projects valued at over \$10 million.
- o) LEED-certified design is used to address lifecycle costs for Bond program construction.
- p) Constructability review and peer review provides early identification of design issues, and to yield cost savings through the avoidance of late detection design issues.
- q) Use of a standardized template for all program invoices provides for ease of review and increases internal control.
- r) Some College Project Managers include an "Estimate to Complete" forecast as part of their internal reporting and project tracking.

Improvement Opportunities:

High Priority:

- a) Close attention should be given, by the Program Manager and the District, to cost and schedule trend reporting, variance reporting and justification. The Program Manager should develop and implement a process to enable the College Project Managers to



consistently forecast cost and schedule, and to report on cost and schedule changes with justification for such changes, as a supplement to the procedures in the Program Management Plan.

- ⇒ Management Response: Management currently has trending, forecasting and reporting tools in place. These will continue to be enhanced as the program moves forward with its implementation of the “Proliance” system.
- b) Detailed review of DMJM/JGM invoices for Program Management services is not being performed by the District. Adequate controls need to be developed and implemented for the detailed review and of invoices from DMJM/JGM prior to approval for payment. The District should ensure that DMJM/JGM invoices are reviewed in detail by an independent party.
 - ⇒ Management Response: The district already has a review process in place. As noted above, efforts will be made to enhance review of invoices through a refinement of existing procedures, and the possible addition of internal and external auditors to the present process.
- c) State and other funding sources should be carefully managed, and the timeline for funding requests should be clearly defined and communicated. Critical dates should be added to the College Project Manager’s construction schedule as milestones and aggregated at the District level.
 - ⇒ Management Response: Management concurs with recommendation and will strive to implement an appropriate procedure.
- d) The College Project Manager’s cost tracking and the Program Manager’s cost tracking systems should be reconciled by the Program Manager on a periodic basis to ensure timely data entry and correctness, and to enable accurate real-time cost reporting.
 - ⇒ Management Response: Given the large amount of data that this program relies on bi-weekly reconciliation may be difficult to provide with existing staff. Certainly reconciliation on a monthly basis does occur, and will continue to occur. It is expected, though, that the full implementation of the Proliance software should facilitate this process, and make biweekly reconciliation possible.
- e) Additional monthly reconciliation between the District general ledger and the Program Manager’s Prolog/Proliance system should be performed on a monthly basis, to supplement the annual reconciliation that is already performed.
 - ⇒ Management Response: Management concurs with recommendation and will strive to implement an appropriate procedure.
- f) The District or the Program Manager should conduct a close-out cost audit of all large contracts prior to release of retention.
 - ⇒ Management Response: Management concurs with recommendation and will strive to implement an appropriate procedure.



- g) Real-time reporting of cost and schedule data is difficult to obtain, and currently requires access to several data sources. The capabilities of the Proliance system should be evaluated, during implementation of the system.
- ⇒ Management Response: Management concurs with recommendation and will strive to implement an appropriate procedure as part of the Proliance implementation strategy.

Medium Priority:

- a) The Bond reporting effectiveness should be reviewed by the Program Manager, once the Proliance system is fully implemented.
- ⇒ Management Response: Management concurs with recommendation and will strive to implement an appropriate procedure as part of the Proliance implementation strategy.
- b) The Bond procedures effectiveness and internal controls should be reviewed by the Program Manager, once the re-engineered Program Management Plan is fully implemented.
- ⇒ Management Response: Management concurs with recommendation and will continue with additional process improvement re-engineering initiatives. We will also periodically assess the effectiveness of overall program internal controls.
- c) “Earned value analysis” methodologies should be applied to program cost and schedule controls by the Program Manager. “Earned value” is a project management tool that compares the dollars spent to what work was completed.
- ⇒ Management Response: Management concurs with recommendation and is working to develop an “Earned Value Analysis” module as a future component of the “Proliance” system. In the interim, the CPM firms are capable and encouraged to provide this analysis utilizing industry accepted methodologies.
- d) The program schedule has changed significantly since the rebaselined effort. A meaningful target should be established by the Program Manager for the program schedule against which progress can be measured and variances reported.
- ⇒ Management Response: Variance reporting is currently required and is being submitted for all colleges. Management will examine the need for additional measurement tools for the program as a whole.

8. Program Staffing

Through interviews of key operational personnel, review of program work flows, analysis of relevant expenditures, and observation of position and work requirements, we have assessed the



assumptions and the basis for Bond Program staffing plans. Bond program management needs were compared to staffing required to meet those needs. Our experience with reviewing staffing at other academic capital programs as well as our assessment of factors unique to the District formed the basis of this analysis.

Good Practices:

- a) The Program Manager and College Project Manager staffing plans are frequently reviewed and updated.
- b) The District uses contractors to address short-term staffing needs, specifically DMJM/JGM as Program Manager supplements the District staff and acts on their behalf.
- c) Internship opportunities through the E-7 program for District students provide both additional staff for the Bond program and work experience for students.
- d) The Program Manager uses sub-consultants to fill skills gaps and to address short-term staffing needs.
- e) Some College Project Managers reach out to their Corporate headquarters for short-term skills needs.

Improvement Opportunities:

High Priority:

- a) As construction volume increases, District management level staffing in Facilities Planning and Development will be inadequate to oversee program management personnel and to respond to Bond program needs. The District should identify qualified support for the District Facilities Planning and Development Department.
 - ⇒ Management Response: Although additional staffing might be desirable, budget limitations make this recommendation hard to implement. It is hoped that the recently announced reorganization of District facilities resources will allow present staff to do a more effective job of communicating and coordinating District capital activity.
- b) At each campus, one qualified College staff member should be designated as a single point of contact for program stakeholders and College Project Managers.
 - ⇒ Management Response: This recommendation will be shared with the CPM's and College Presidents for their consideration. Each College has a unique shared governance structure that should be the focus for coordinated communication of capital program activities.
- c) The Program Manager staffing levels appear to be inadequate in certain departments, such as project controls/scheduling and estimating.



- ⇒ Management Response: The Program Management team is subject to market forces and staff turnover. The review of the staffing levels occurred at a time when the program controls department had suffered two such losses. The Program Management team is in the process of interviewing and staffing these positions at the time of this finding.
- d) The College Project Managers and the Program Manager should take full advantage of the internship opportunities available to them.
 - ⇒ Management Response: As the efforts of the Program and College Management firms require a high level of professional skill it is not always practical to utilize such resources. However, management does concur with this finding and makes best efforts to utilize interns when it is practicable within the confines of the fixed fee.

Low Priority:

- a) When high turnover occurs, loss of institutional memory is a risk to the Bond program. Procedures should be put into place by the Program Manager to ensure that responsibilities and project history are documented and that information transfer occurs as part of the exit and promotion/new hire orientation process.
 - ⇒ Management Response: The loss of institutional memory is always a risk in a long term program. A process of careful document control and the development of a comprehensive electronic database through the E-7 program will help overcome the problems associated with staff turnover. Both of these program components are fully under development at this time. In addition, training of replacement staff and overlapping hiring procedures will assist with knowledge transfer in the program.

9. Change Management and Control

We evaluated District policies, procedures and practices to manage change orders and related costs. Procurement and project controls were evaluated for evidence of change management that help to prevent excessive expenditures.

Good Practices:

- a) The Program Management Plan includes defined control processes to identify change order causes and to evaluate change order costs. Change order cost estimates are performed by an independent third party or the College Project Managers, prior to executing change orders.
- b) Approvals are required for change order processing and adoption. The District, in conjunction with the Program Manager, has developed and implemented a formal



- change management policy which incorporates DSA review requirements as part of the Program Management Plan.
- c) The District, in conjunction with the Program Manager, has developed and implemented a formal budget management policy as part of the Program Management Plan.
 - d) The District applies the California Uniform Public Construction Cost Accounting Act (CUPCCAA) requirement that total changes to a contract cannot exceed an absolute value of 10 percent.
 - e) LEED projects are designed to achieve more points than are needed for the desired level of LEED certification, because it is expected that several points will be lost during the course of construction and commissioning.
 - f) The Program Management Plan includes change control processes which address amendments to the Facilities Master Plans and their impact on the prior certified EIR, and which also require review by legal counsel and approval by the Colleges prior to adoption of any Facilities Master Plan amendments by the District Board of Trustees.

Improvement Opportunities:

High Priority:

- a) Change order approval should be performed and documented by the appropriate party in a timely fashion and completed before services are performed and invoices are received against the contract. If work is urgent and must be started before the change order is approved, the appropriate procedure should be followed as shown in the Program Management Plan.
 - ⇒ Management Response: As stated above, the CPM has primary responsibility for the review of Change Orders. Per District policy, work may begin at contractor risk on a Change Order, however, the contractor will not be paid for such services until the Change Order is approved by the Board of Trustees. The Contractor is the only entity at risk to early performance of change order work. The Board of Trustees has delegated certain authority to the District Chancellor and his staff, namely the Executive Director of Facilities, Planning and Development, to authorize certain work to commence prior to full board action.
- b) Changes on LEED-certified projects must be carefully managed by the College Project Managers with oversight from the Program Manager, and controls and reporting processes should be developed. There is a risk of losing LEED certification points if changes or substitutions are made, both in the installed product and in the construction and commissioning processes.
 - ⇒ Management Response: The District is fully committed to meeting the sustainable goals set by the Board of Trustees. Although at face value, it might appear that budget pressures could threaten compliance with LEED



standards, the reality is that the sustainable elements of a building are integral to the building design, and would be very difficult to eliminate at a latter stage of the process. The actual expectation is that the compliance with the sustainable goals will be better than planned.



APPENDIX A – BOND PROGRAM EXPENDITURE TESTING

Our performance audit evaluated Proposition A and AA expenditures between July 1, 2004 and June 30, 2005 totalling \$42,899,537 (34%) and found no exceptions with the use of Bond Program funds for approved Proposition A/AA purposes. However, we did question the contractual compliance \$24,980 cost charges. Two DMJM/JGM invoices and 172 other invoices and/or payment applications were randomly selected and tested. There were items tested from every college and from every College Project Manager.

Below is a summary of Bond Program expenditures and the amount sampled to validate the use of these expenditures for approved Bond Program purposes and compliance with contract terms.

Note: Amounts reviewed in this report are from the District books and records and have not been subject to the District financial statement audit procedures.

Expenditure Type	Prop A total funds			Percentage Tested	Prop AA total funds		
	Expended	Tested			Expended	Tested	Percentage Tested
Supplies and materials	\$ 2,179.84	\$ -	0.00%	\$ -	\$ -	0.00%	
Compliance and audit fees	413,007	23,236	5.63%	81,469	25,928	31.83%	
Legal Consulting services	989,098	388,594	39.29%	286,510	-	0.00%	
Rents and lease	28,667	1,487	5.19%	50,000	-	0.00%	
Land Acquisitions	2,764,542	-	0.00%	19,615,236	19,500,000	99.41%	
Environmental Insurances	-31,233	-	0.00%	89,165	-	0.00%	
Landscape	71,666	-	0.00%	-	-	0.00%	
Hardscape	21,250	-	0.00%	-	-	0.00%	
Project Contingency	106,297	-	0.00%	12,032	0	0.00%	
Construction (Renovation)	10,774,068	3,254,709	30.21%	3,286,691	2,046,555	62.27%	
Construction (NEW)	11,453,752	5,091,529	44.45%	2,635,806	803,210	30.47%	
Temporary Facilities	994,008	-	0.00%	15,726	-	0.00%	
Design	20,283,842	3,106,074	15.31%	3,727,520	665,812	17.86%	
Inspection & Testing	877,654	741	0.08%	72,322	14,799	20.46%	
Master Planning/EIR	1,165,509	12,968	1.11%	671,283	54,785	8.16%	
Pre-Design/Programming	844,483	70,784	8.38%	149,858	13,065	8.72%	
Program Management	10,600,507	1,606,465	15.15%	7,492,589	1,606,465	21.44%	
Project Management	12,291,529	4,200,165	34.17%	10,075,359	80,142	0.80%	
Specialty Consulting	2,752,221	-	0.00%	754,766	113,319	15.01%	
Asset Management	652,170	-	0.00%	616,696	94,611	15.34%	
Equipment	370,968	-	0.00%	215,312	-	0.00%	
Furniture and Fixtures	406,428	124,097	30.53%	31,577	-	0.00%	
Additional district payments	-	-	0.00%	433,108	-	0.00%	
Removal of FY04 pymts	(1,434,361)	-	0.00%	-	-	0.00%	
Total	\$ 76,398,252	\$ 17,880,848	23.40%	\$ 50,313,026	\$ 25,018,689	49.73%	

APPENDIX B – SUMMARY OF PROJECTS BY COLLEGE

Campus	College President	CPM Firm	DMJM/JGM Area PM	College Planning			Projects (by Phase)										Projects (by Type)			
				Facilities Master Plan	EIR	Land Acquisition	Deleted / Suspended	Not Started	Programming	Design	DSA	Bid/ Award	Construction	Close-out	Complete	Total	New	Upgrade	Other	Total
City	Dr. Steve Maradian	Bovis Lend Lease	Jonathan Levy / Patrick Woods	Accepted	Accepted	In progress	8	9	7	5	3	0	1	3	9	45	10	18	17	45
City Northeast	Dr. Steve Maradian	Bovis Lend Lease	Jonathan Levy / Patrick Woods				1	3	0	1	3	0	0	1	1	10	3	1	6	10
East	Ernest H. Moreno	Jacobs Facilities Co	Bob Herrman	Accepted	Accepted	In progress	8	0	0	17	3	0	9	1	12	50	7	36	7	50
East Southgate	Ernest H. Moreno	Jacobs Facilities Co	Bob Herrman	Not Started	Not Started	In progress	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Harbor	Dr. Linda M. Spink	Pinnacle One	Roshni Thomas	Accepted	Accepted	Not applicable	10	5	0	5	2	4	9	1	2	38	13	14	11	38
Mission	Dr. Adriana Barrera	Gateway Science & Eng	Bob Herrman	Draft in progress	Draft Oct 2005	In progress	6	1	1	16	2	3	3	0	11	43	15	24	4	43
Pierce	Dr. Thomas Oliver	Swinerton Mgt & Consulting	Jonathan Levy / Patrick Woods	Accepted	Accepted	Not applicable	4	9	8	5	5	1	2	5	12	51	16	24	11	51
Southwest	Dr. Audre Levy	CCG	Brian Spencer	Accepted	Accepted	In progress	1	0	5	6	2	2	3	3	8	30	11	10	8	29
Trade-Tech	Dr. Tom K. Harris, Jr.	ACG+AVA	Roshni Thomas	Accepted	Accepted	In progress	0	10	0	4	4	4	0	2	5	29	3	26	0	29
Valley	Dr. Tyree Wieder	URS Corp	Jonathan Levy / Patrick Woods	Accepted	Accepted	In progress	3	0	4	19	8	3	4	1	8	50	9	23	18	50
West	Dr. Doris Givens	Turner Construction Co	Brian Spencer	Accepted	Accepted	In progress	5	6	2	19	4	1	0	2	0	39	5	29	5	39
Total							46		27	97	36	18	31	19	68	385	92	205	87	384

College Project Planning

Accepted - final report/study completed and accepted by the Board of Trustees

In progress - Report/study/land acquisition in process and going through required public hearings, negotiations, reviews and/or approvals.

Not started - report/study/land acquisition identified as a project, has yet to commence

Not applicable - At this time the college is not scheduled to acquire land