Performance Audit of
Los Angeles Community College District
Proposition A, Proposition AA, Measure J,
and Measure CC Bond Programs

Fiscal Year Ended June 30, 2020

December 16, 2020

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December 16, 2020

Dr. Rueben Smith
Chief Facilities Executive
Los Angeles Community College District
770 Wilshire Boulevard, 6th Floor
Los Angeles, CA 90017

Dear Mr. Smith:

This report presents the results of our work conducted to address the performance audit objectives relative to the Los Angeles Community College District's (LACCD) Proposition A, Proposition AA, Measure J and Measure CC bond programs. Our work was performed during the period of July 26, 2019 through September 30, 2020 and our results are as of the date of this report.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to *GAGAS,* we conducted this performance audit in accordance with *Consulting Services Standards* established by the American Institute of Certified Public Accountants (AICPA). This performance audit did not constitute an audit of financial statements or an attestation-level report as defined under *GAGAS* and the AICPA standards for attestation engagements.

The audit objective of our work was to understand certain aspects of the LACCD management of the bond program and bond program expenditures in accordance with the requirements of Proposition 39.

KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

This report is intended solely for the use of management and the Board of Trustees and is not intended to be and should not be relied upon by anyone other than these specified parties.

In providing this report, KPMG has undertaken no role or view that could be considered public policy advocacy.

KPMG LLP

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EXECUTIVE SUMMARY

This performance audit was conducted in accordance with Generally Accepted *Government Auditing Standards* (*GAGAS*) as a requirement for construction bond programs under California Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Proposition 39). Our work for the year ended June 30, 2020 was performed during the period of May 15, 2020 through the date of this report.

Objective

A performance audit is an objective analysis for use by management and those charged with governance and oversight to improve bond program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and to contribute to public accountability. Further, performance audits seek to assess the effectiveness, economy, and efficiency of the bond program.

The objective of this performance audit was to understand certain aspects of the Los Angeles Community College District's (LACCD or District) management of the bond program and bond program expenditures in accordance with the requirements of Proposition 39. Total aggregate bond expenditures were $232,342,286 (audited) during the fiscal year ended June 30, 2020.

Scope

A performance audit uses objective analysis to compare the current condition (what is) against stated criteria (what should be). Our scope is determined by the District. In prior audit years, our performance audit of the District's bond program made several recommendations related to the program's *Standard Operating Procedures (SOPs)* and how they can be improved. Over the years, the *SOPs* have evolved to a point where the *SOPs* were utilized as primary criteria to compare program performance to this year.

The scope for this year's performance audit, as agreed to with the District in our annual performance audit scope letter, included the following areas of focus:

- **Policies and Procedures:** KPMG evaluated, on a sample basis, the District's *Standard Operation Procedures (SOPs)* relative to leading practices. This evaluation helped provide an independent assessment of the bond program's key processes and controls and establishes a baseline for identifying both areas of strengths as well as process weaknesses and areas for improvement. We focused testing of actual process steps and actions conducted by District and BuildLACCD employees as described in the *SOPs*.

- **Change Orders:** KPMG assessed compliance with the District's current *SOPs* relating to change orders including testing actual process steps conducted by District and BuildLACCD employees for active projects during the performance audit period against the processes and procedures stated in the *SOPs*. This included, but was not limited to: justification of change orders, change order pricing evaluation, approval of change orders and change order proposals, and completeness of supporting documentation.

- **Risk Management:** KPMG assessed, on a sample basis, the risk management process for the bond program including identification, assessment, quantifying, tracking, reporting, and closing of project risks. The evaluation was conducted based on a sample of five active projects as mutually agreed with the District.

- **Procurement:** KPMG evaluated the procurement process for the bond program for contracts awarded and/or negotiated in the audit period. KPMG conducted detail testing of a sample of contracts for compliance with key procurement process steps and requirements. Our sample was determined based on the relevant contract population. Our audit work included evaluating key steps of the procurement process including, but not limited to, forming the solicitation; advertising and outreach; vendor evaluation, selection and notification; vendor negotiation; and contracting.

Our performance audit does not opine on the internal controls structure of BuildLACCD or LACCD. In addition, our performance audit does not include testing of internal controls to determine if the internal controls are operating as designed. The audit is limited to reporting deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed.

Audit Summary

Based on our audit, we did not identify any significant internal control deficiencies within the context of the audit and we did not identify any high priority audit observations. We did not identify any significant[1] charges to the program that did not conform to the requirements of Proposition A, Proposition AA, Measure J and Measure CC. However, based on our audit scope this year, we made certain observations where we identified opportunities for improvements, primarily related to updates to the *SOPs*.

Summary of Observations

Following is a summary of our observations, including the order of priority, which is a subjective ranking of importance among the observations:

> **High Priority** - The recommendation pertains to a significant audit finding or control weakness. Due to the significance of the matter, immediate management attention and appropriate corrective action is warranted.
>
> **Medium Priority** - The recommendation pertains to a moderately significant audit finding. Reasonably prompt corrective action should be taken by management to address the matter.
>
> **Low Priority** - The recommendation pertains to an audit finding of relatively minor significance or concern, yet still requiring attention. The timing of any corrective action is left to management's discretion.

There are eight low priority and two medium priority observations. There are no high priority observations. A majority of our recommendations have already been implemented by management.

Policies and Procedures Observation

1. Although LACCD's policies and procedures overall are well developed, we identified areas where the District can continue to improve and clarify the SOPs (Low):

    1a. implement RACI charts,

    1b. clarify strategic execution plan (SEP) and cost management review (white paper process),

    1c. add guidelines related to 3rd party estimates.

Change Order Observations

2. Two change orders were executed without all required approvals. (Low)

3. A unilateral change order for urgent time & materials work was processed without the appropriate forms required by the *SOPs.* (Low)

Risk Management Observations

4. RPDs did not consistently attend College Risk Identification Workshops. (Low)

5. Annual Risk Controls Workshop was not held during the audit period as required by the *SOP,* which states they should be facilitated every year for each college. (Low)

6. There is no evidence that Risk Registers were consistently monitored and updated on a monthly basis, as required. Additionally, risk mitigation measures were not consistently documented for all risks identified (Medium)

7. The review and monitoring processes of monthly risk reports at the Program level did not adequately identify reporting inconsistencies. (Medium)

8. There is no reliable mechanism to track risks as they transition from an identified risk to a change management item. (Low)

Procurement Observations

9. It is unclear what steps were followed to assess, document, and resolve any personal conflicts of interest disclosed by an evaluation panel member. (Low)

10. A participant in the formal evaluation panel for procurement was not listed on the Evaluation Panel Memo formally approved by the District CFE or designee, as required by the SOPs. (Low)

Our detailed procedures, observations, recommendations, and management's responses are included in the following sections of this report.

COVID-19 Impacts

Our performance audit team did not experience any scope limitations as a result of any COVID-19 adjustments to our audit procedures. Our team was able to execute all necessary audit steps as planned on a virtual platform.

The BuildLACCD team was also able to adjust their procedures and conduct their day-to-day business activities without experiencing any significant disruptions or risk exposure to the program. However, we noted that risk management workshops were delayed or postponed or moved to virtual settings.

To continue to perform during COVID-19, the program implemented automated approval procedures using Adobe e-sign for contracts, change orders, payment applications and other documents requiring signature. Due to data size restrictions associated with large documents, procedures were implemented to transmit change orders in multiple transmittals.

The PMO also reported potential delays in approval of the Division of State Architect (DSA) regulatory submittals. DSA offices currently have reduced staffing levels and hours of operations as a result of COVID-19. No significant delays to project schedules were noted by the PMO at this point. However, the PMO is monitoring the situation given the possibility of future DSA office furloughs.

The results of our performance audit did not identify any instances of control deficiencies as a result of COVID-19 impacts to the program within the context of the scope of our audit.

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[1] GAGAS 8.15: *"Significance is defined as the relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors."* In the performance audit standards, the term "significant" is comparable to the term "material" as used in the context of financial statement audits.

BACKGROUND

In November 2000, the California legislature passed Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* of the State of California, which amended provisions to the *California Constitution (Article XIII)* and the *California Education Code (Section 15272)* to include accountability measures for bond programs. Specifically, the District must conduct an annual, independent performance audit of its construction bond program to ensure that funds have been expended only on the specific projects listed.

The Los Angeles Community College District's (LACCD or District) bond program is largely funded by Proposition A, Proposition AA, Measure J and Measure CC, which were approved by voters in 2001, 2003, 2008 and 2016, respectively. The total authorized bond fund dollars increased to $9.6 billion from the inception of the program. Approximately $4.5 billion remains, which is designated for capital improvements for the renovation and replacement of aging facilities and for the construction of new facilities. Of the $4.5 billion in funds remaining, $3.3 billion represent Measure CC funds.

Total aggregate bond expenditures (audited) were $207,511,960 during the fiscal year ended June 30, 2019; $3,932,950 (Proposition A), $11,269,820 (Proposition AA), $162,079,471 (Measure J) and $30,229,719 (Measure CC).

BuildLACCD and the Project Management Office (PMO)

BuildLACCD's function is to facilitate the delivery of projects under the bond program. BuildLACCD consists of over 150 positions in a number of functional areas and includes several consultants and members of District staff. The largest function of BuildLACCD is the program management function, which is being provided by Jacobs Project Management Company (Jacobs or PMO) for a five-year period commencing September 15, 2017 through September 14, 2022.

College Project Team (CPT)

Each college location has a College Project Team (CPT) in place. The CPTs are responsible for performing services to oversee college master planning, environmental impact studies, programming, design, construction, closeout. They are also responsible for overseeing design consultants, contractors, and vendors at each college location.

The bond program operated under a decentralized model between 2007 and 2013 with a significant level of autonomy placed with the individual colleges, including project management decisions, documentation requirements, and delivery methodologies. Beginning under the prior PMO (AECOM) in 2013 and continuing under the current PMO (Jacobs), all CPTs were contracted directly with the District but report to the PMO. This created a centralized structure and improved accountability.

Regional Project Directors (RPDs)

Based on prior years' audit results, the CPTs requested a conduit for their communications and questions to the PMO. The PMO established the role of the Regional Project Director (RPD) in 2017 as part of the Jacobs' transition and commitment to improve communications. The RPD's role is to assists CPTs with developing project requirements, monitor and facilitate clear communication between the PMO and the CPTs, and streamline approvals for CPT-provided information. The RPD monitors and guides the CPD and the CPT to execute projects successfully through each phase of the project lifecycle. As the principal coordinator between the PMO and the CPD, the RPD routinely interfaces with college

presidents and facilities directors.

Over the last years, the RPDs have helped elevate and resolve questions, concerns, and issues raised from the CPTs to the PMO. The responsiveness of the RPDs has also helped increase the satisfaction with the PMO, as the communications between the CPTs and the PMO have improved. The implementation of the RPD role continues to be reflected in our audit results.

AUDIT SCOPE AND METHODOLOGY

This performance audit encompasses the District construction bond program and does not include the District's business operations, administration, or management of any projects outside of the bond program. In addition, KPMG's work under this engagement did not include providing technical opinions related to engineering, design, and facility operations and maintenance.

This performance audit was conducted in accordance with *Generally Accepted Government Auditing Standards (GAGAS)* issued by the Comptroller General of the United States and as a requirement for construction bond programs under California Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act (Proposition 39).* Our work for the year ended June 30, 2019 was performed during the period of May 15, 2020 through the date of this report.

Methodology

GAGAS require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our comments and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our comments and conclusions based on the audit objectives. As such, we followed the requirements of *GAGAS* and the District with respect to our methodology, which included the following elements:

- Conducting a **risk assessment** to identify areas of risk
- Designing an **audit plan** based on issues and risks identified in the risk assessment phase
- Conducting **fieldwork** with detail testing to further assess the risks and carry out our audit plan
- Preparing an audit **report** for the District based on the results of our performance audit

We reviewed the District's internal policies, procedures, and documentation of key processes. We conducted interviews with BuildLACCD personnel and other contractors and consultants involved with BuildLACCD and the District bond program. We reviewed relevant source documentation to gain an understanding of the key functions of the District as they relate to the scope of this audit and corroborated key interview statements with test work.

Scope

The scope for this year's performance audit, as agreed to with the District in our annual performance audit scope letter, included the following areas of focus:

1. Policies and Procedures

Our audit objective related to Policies and Procedures was to evaluate the District's current *Standard Operation Procedures (SOPs)* relative to leading practices. This evaluation provided an independent assessment of the bond program's key processes and controls and established a baseline for identifying both areas of strengths as well as process weaknesses and areas for improvement.

Our audit's overall approach and methodology utilized KPMG's proprietary construction process and controls assessment tool to review the bond program's key processes and controls. Our audit procedures included the following:

   a) Assessed the District's *SOPs* and tested procedural steps conducted by the District and PMO employees to baseline the program's current standard operating procedures.

b) Assigned a maturity rating to each process area based on the clarity and completeness of documentation, effectiveness of established controls, user adherence to established process and procedure, availability and application of templates, job aides, tools to support the process implementation.

c) Benchmarked the bond program's key process and control ratings to other higher-education institutions and leading companies outside of the higher-education industry (i.e., power and utilities, oil and gas, technology, healthcare and pharmaceutical, engineering and construction, and manufacturing and industrial) utilizing KPMG's controls assessment tool and global database. The five key program areas evaluated include:

- Strategy, organization, and administration
- Cost and financial management
- Procurement management
- Project controls and risk management
- Schedule management.

The table below summarizes the ranking of the control ratings, although specific definitions for each score were utilized for each assessment area, based on leading practices:

Score	Tier	Rating	Rating Description
≥3.5	Tier 4	Optimized	Integrated controls have been designed and are adequately documented, with real–time monitoring being completed and continuous improvement efforts underway to refine the control framework.
2.5 to 3.49	Tier 3	Monitored	Controls have been designed and are adequately documented for standardized use across the company. Some periodic testing is completed to report to management on the effective design and operation of the controls.
1.5 to 2.49	Tier 2	Standardized	Many controls have been designed and are adequately documented; but there are no established monitoring activities from which to test and improve the control framework.
1 to 1.49	Tier 1	Unreliable/ Informal	Unpredictable environment where many controls are not designed or in place, in which no documentation exists, and therefore, no monitoring or improvement activities are occurring. Some controls may have been designed but are not adequately documented, monitored, or refined.

We then compared LACCD's bond program's key process and control ratings to other higher-education institutions and leading organizations outside of the higher education industry, who also deliver large complex construction programs, utilizing KPMG's database of results from other organizations also evaluated using KPMG's Controls Assessment Tool.

KPMG also conducted meetings with members from the PMO and CPTs to walk-through activities performed and documentation prepared for specific process areas, in order to compare the PMO's and CPT's actual practice against the documented *SOPs*. The specific process areas reviewed during the walk-throughs included: contractor payment processing; change order and field order management; cost forecasting and reporting; project closeout; and schedule reporting

2. Change Orders

Our audit objective related to change orders was to assess the level of compliance with *SOP* change order process requirements by CPTs, PMO and District personnel. Our assessment focused on change orders executed during the audit period. Our audit procedures included the following:

a) Interviewed key program personnel with specific knowledge related to the change order approval process.
b) Evaluated the *LACCD Bond Program Standard Operating Procedures (SOPs), Change Orders Procedure (CP 2.0), Revised October 25, 2019*.
c) Determined if selected change orders were appropriately authorized and supported by appropriate documentation from the contractor and subcontractor.
d) Determined if change orders were appropriately authorized internally.
e) Determined whether District established internal change order procedures were followed.
f) Assessed projects with a change order(s) and documented reasons for change order and, if possible, identified how change orders could have been minimized.
g) Confirmed that changes were allowable under Proposition 39.
h) Assessed *the Change Order Request (COR)* submittal process and the Program's compliance with the *SOP*s
i) Evaluated compliance with requirements for *Field Orders (FO)*
j) Evaluated supporting documentation included with change order packages for completeness.

3. **Risk Management**

Our audit objective related to risk management was to audit the risk management activities relative to the requirements in the *SOPs* and leading practices and assess the Program's ability to identify project risks and provide measures to control and minimize such risks, including exposure to increased costs and schedule delays.

Our audit scope included conducting a detailed testing on a sample of projects for compliance with risk management process requirements, including, but not limited to, identification, quantifying, tracking, reporting, and closing of project risks. Our audit procedures included the following:

a) Interviewed key program personnel with a specific knowledge of risk management process
b) Evaluated the *SOPs*, *Program Management Procedure - Risk Management (PMA 10.0, revised November 2, 2018)*
c) Evaluated any revisions to the *SOPs* on risk management
d) Documented the process for identification, measuring, reporting, tracking, and mitigating project risk by BuildLACCD
e) Evaluated the program and project risk management process (on a sample basis)
   - Risk management planning: Evaluating the project risk management plan that outlines project risk management activities for the program
   - Risk identification/risk register: Evaluating how the PMO identifies and categorizes project risks, including the use of a project risks register
   - Risk analysis – Evaluating quantitative and qualitative risk analysis procedures
   - Risk mitigation and risk response planning: Evaluating project risk mitigation and risk response plans
   - Risk monitoring, reporting and tracking: Evaluating the PMO's compliance with SOP requirements related to reporting and tracking of project risks
   - Risk closeout: Assessing the process to closeout project risks
f) Assessed the experience level of the key employees involved with the risk management efforts
g) Evaluated risk management process against industry leading practices
h) Evaluated the integration of the risk management process with the program management information systems

4. Procurement

Our audit objective related to Procurement was to evaluate compliance with key procurement process steps and requirements for the program.

We selected a sample of contracts awarded during the FY2019/20 audit period based on the population. We evaluated the key steps of the procurement process including, but not limited to, forming the solicitation; advertising and outreach; vendor evaluation, selection and notification; vendor negotiation; and contracting. We performed the following activities:

a) Interviewed key program personnel with a specific knowledge related to the procurement and contract process.
b) Evaluated the LACCD bond program *SOPs*, *Program Management Administration - Contract Management (PMA 8.0, revised March 8, 2019)*
c) Evaluated any revisions to the *SOPs on Contract Management*.
d) Documented the process for evaluating review of procurement process by Build-LACCD.
e) Evaluated (on a sample basis) procurement controls for competitive bidding. Specific areas targeted included:
   ● Procurement planning
   ● Solicitation planning and solicitation
   ● Compliance with *California Public Contract Code* and LACCD requirements, outreach efforts
   ● Source selection
   ● Contract negotiation and execution
   ● Prequalification
   ● Bid and proposal evaluation
   ● Contract administration
f) Assessed the experience level of the key employees involved with the procurement and contracting efforts.
g) Evaluated procurement/contract process against industry leading practices, as promulgated by leading industry organizations and the District's *SOPs.*

AUDIT RESULTS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

<u>Policies and Procedures</u>

A bond program of the size and complexity like LACCD's, requires an adequate Program internal control structure in place. A Program's policies and procedures help create an internal control framework for an organization. It is this internal control framework that management will rely upon and that will help ensure the organization's objectives are being met. Well-written policies and procedures also allow employees to clearly understand their roles and responsibilities within predefined limits. LACCD's policies and procedures for the bond program are include with the Program's *SOPs.*

In the earlier years of the bond program, prior to 2016, our performance audit results indicated that the bond program *SOPs* and key processes and controls were incomplete. In certain process areas, prior years' observations identified several instances of inadequate oversight and incomplete monitoring activities by BuildLACCD. Additionally, past audit results identified a number of contract compliance issues, and insufficient Project documentation practices. These observations were attributed in part to the lack of documented leading practices incorporated with the bond program's *SOPs*.

Over the years, BuildLACCD has continued to improve bond program processes, implement leading practices and document requirements in the *SOPs.* Examples of new leading practices noted by discussions with the PMO are as follows:

- **Procurement** – The PMO developed and implemented a new *Standard Operating Procedure for the Master Agreement Task Order Contracts (MATOC) Staff Augmentation* to define the policies and procedures that regulate CPT and PMO staffing. They also implemented a new project delivery method for Job Order Contracts (JOC) to streamline the procurement of smaller projects.
- **Change order** – The PMO developed and implemented a new *Change Order Standard Operating Procedure* with updated forms to clarify and streamline the change order process. The PMO also stablished and implemented policies and procedures for the utilization of allowance and contingency funds.
- **Forecasting and cost reporting** – The PMO integrated earned value metrics with monthly reports to enhance monitoring and tracking of project performance and to help improve oversight of schedule and cost variances. The PMO also enhanced the Cost Account Generator Engine (CAGE) application to realize efficiencies related to cost accounts monitoring and tracking.
- **Pay applications** – The PMO implemented updated contractor and vendor invoice forms to facilitate user accessibility. The PMO also established and implemented additional requirements for the automated payment, automated clearing house (ACH) review process.
- **Schedule reporting** – The PMO improved project schedule oversight through the new requirement of mid-month schedule updates. They also implemented earned value reporting to present a more comprehensive depiction of project status and progress.
- **Project closeout** – The PMO enhanced the requirements for project closeout-related documentation to help improve project team coordination, consistency, and tracking of project closeout items. The PMO also developed and implemented of a new dynamic punch list form to optimize tracking of open items during projects' closeout phase. The PMO implemented updated policies, procedures, and forms to improve the release of retention process.
- **Conflicts of Interest (COI)** – The PMO implemented COI identification parameters to

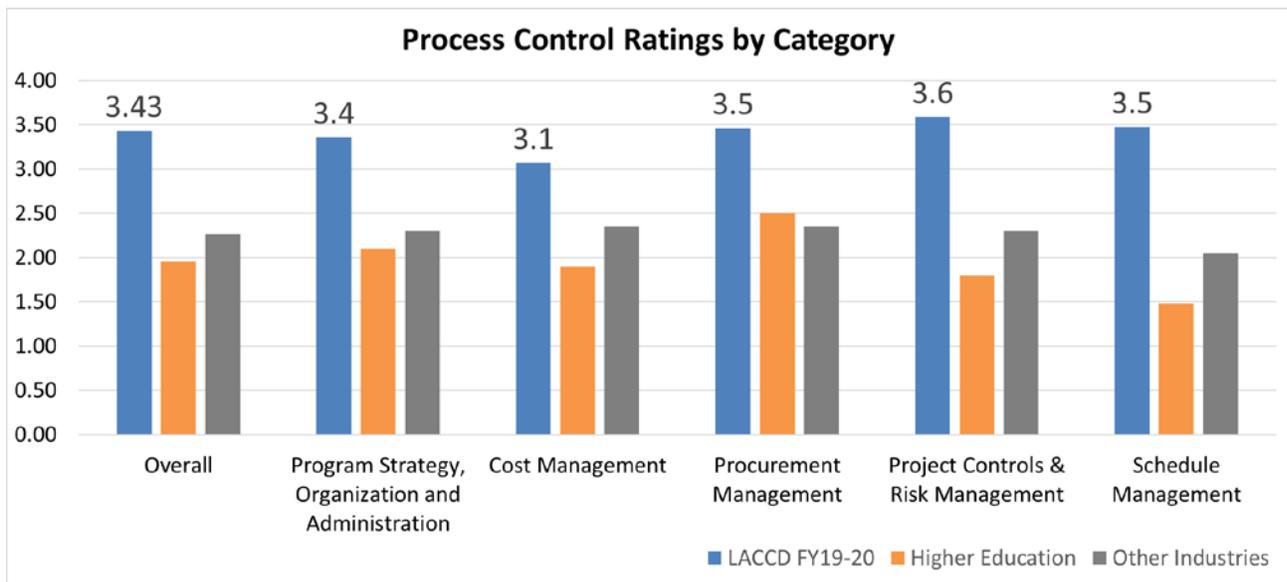facilitate decision making and reduce conflict of interest risks.

- **Safety** – The PMO implemented updated safety policies and procedures to help ensure timely issuance of *Notice to Proceed for Construction* and to improve the monitoring of essential safety documentation prior to mobilization, and throughout project lifecycle.
- **Electronic Signatures** – The PMO enhanced forms and internal procedures through the implementation of secure electronic signatures. This helped expedite the approval process and facilitate the tracking of approvals, resulting in timesaving improvements and efficiency in program operations.

This year's performance audit results, which are based on KPMG's controls assessment tool as described in our methodology, indicates that the *SOPs* are still in line with leading practices and in many areas exceed what we normally observe in other comparable programs of similar size and complexity.

Table 1 below summarizes the program's average overall rating and the average rating for each of the five key program areas, as compared to other higher-eduction institutions and leading companies outside of the higher-education industry from KPMG's controls assessement tool and global database.

Most of these entities included with KPMG's gloabal database did not conduct continuous evalauations of their policies and proceduers to the extent that LACCD has done over the years. As a result of ongoing efforts and improvements to their *SOP*s, LACCD was able to attain a higher than average overall score when compared to their industry peers, most whom conducted the *Controls Assessment* knowing or suspecting that their processes needed improvement.

The SOP's overall score is 3.43, which is a slight increase from 2016 when the score was 3.33. This year, all categories scored in the "monitored" or "optimized" range.

Source: KPMG's Controls Assessment Tool and Global Database including 3 higher-education institutions and 40 other companies from healthcare, pharmaceuticals, power and utilities, oil and gas, manufacturing/industrial, engineering/construction, and technology industries.

Observation 1: Although LACCD's policies and procedures overall are well developed, we identified areas where the District can continue to improve and clarify the SOPs (Low)

1a) implement RACI charts,

1b) clarify strategic execution plan (SEP) and cost management review (white paper process),

1c) add guidelines related to 3rd party estimates.

Criteria:

1a) Optimized processes generally include documented requirements to develop flow charts and matrices for communicating project information, including a RACI chart, which is a diagram that identifies the key roles and responsibilities of users against major tasks within a project. RACI charts serve as a visual representation of the functional role for each person on a project team.

1b) The language in the *SOPs* should clearly establish a project prioritization process and be up to date.

1c) Third-party estimates from professional estimating firms are typically required for projects that meet certain criteria such as projects in excess of a certain dollar threshold, where the estimating discrepancies exceed a certain limit, where there is a single source situation, or where the project is unusual or complex, among other things.

Condition:

1a) Some *SOPs* present process diagrams which identify key actions to be taken by specified personnel and/or teams. While these attachments serve as a useful desktop reference which help facilitate adherence to the *SOPs*, the development of RACI matrices have not been a requirement as utilized by other leading organizations.

1b) Per SOP 5.0 Budget and Cost, Section 5.4 Strategic Execution Plan (SEP) and Cost Management Reviews: *"The Strategic Execution Plan (SEP) is a project implementation plan that defines the budget and schedule baseline for all prioritized projects at each college. Colleges and the PMO work collaboratively to establish project priorities."*

Per the PMO, priorities are established through a collaborative process between the PMO and CPTs. The CPTs prioritization committees and are responsible for their prioritization of their projects and consult with PMO to incorporate their perspectives. The type of bond measure funding is also a factor with respect to allocating budgets across the projects prioritized by the Program. The PMO noted that Measure CC funds are reserved for specific types of projects and are appropriated to colleges based on a "white paper" process performed by the PMO in collaboration with the CPTs. Each college has been determined to receive a minimum of $75 million of the Measure CC funding. Additionally, Measure J bond language defined the types of priorities on which funds were to be distributed. Measure J priorities are established at the District-level

1c) The *SOPs* do not include any guidelines for use of third-party estimates performed by professional estimators. While the Program utilizes third-party estimates on a case by case basis, the minimum requirements are not standardized across the colleges.

Per the PMO, third-party estimates may be procured for high dollar, high risk projects. According to the PMO, estimates are performed by the PMO estimators based on their professional judgement and working knowledge of historical project data. During project execution, the AE/FCE company submits estimates to the PMO at specific project milestones which are then reviewed and validated by the PMO. Variances are documented in a checklist provided back to the AE/FCE company.

The PMO noted that third-party estimates may be obtained if a project carries a large dollar value (typically in the $50-100 million range) or a high level of importance to the campus (e.g., a large science center to be used by a large campus population). For example, the Program obtained third party estimates for a Construction Tech Building at the Trade Tech campus given the project's scale as one of the largest in its history.

Cause:

1a) While each *SOP* includes roles and responsibilities outlined in narrative form for key personnel as they relate to the subject, there has not been a documented requirement developed that necessitates use of a RACI chart.

1b) The PMO noted that the Strategic Execution Plan required in *SOP 5, Section 5.4* was put in place by the previous Bond Program Manager but has never been implemented and that this SOP language is outdated and requires an update. Additionally, the *SOPs* have not been designed to document in detail the project prioritization process currently being performed by the Program.

1c) The *SOPs* have not been designed to require the use of third-party estimates from professional estimators and/or quantity surveyors.

Effect or Potential Effect:

1a) A RACI chart helps to clarify the functional role of participants and lists actions and decisions necessary to deliver a project. A RACI defines who is responsible for performing an activity, who has approval authority and is ultimately accountable, who is consulted for review and feedback, and who is informed of decisions or actions. Each functional role is held accountable for identified activities, ensuring that personnel are adhering to the documented procedural steps. A great benefit of a RACI is its visual representation, which is easy for most people to reference and understand. Per leading practices, use of a RACI charts helps facilitate ongoing and effective communication throughout the project lifecycle, and helps decrease errors and mistakes in process steps.

1b) The process for establishing project priorities is not clearly defined within the *SOPs*; as such, there is potential risk that the prioritization process may not be uniformly applied across the campuses and specific projects and may result in strategic misalignment related to capital spend, among colleges and other stakeholders.

1c) While third-party estimates may not be useful for all types of projects (i.e., small dollar value, simple projects), they can add another level of scrutiny that should be applied uniformly across the campuses. Without a documented requirement there is a potential risk that campuses may not uniformly utilize third-party estimates for complex, high risk, high dollar value projects which may result in incorrect or inconsistent estimates.

Recommendations:

1a) LACCD should consider developing RACI matrices for complex processes that require contribution from many stakeholders. The purpose is to illustrate distinct "swim lanes" for each process not just by department, but by role.

1b) The PMO should update *SOP for Strategic Execution Plan (SEP) and Cost Management Review,* to reflect the Program's most current procedures. The PMO should also incorporate the "white paper process" currently being performed by the PMO and CPTs with the *SOPs*.

1c) The *SOPs* should be updated to include guidance for utilizing third-party estimates from professional estimators and/or quantity surveyors detailing the specific circumstances which may require a project to obtain third-party estimates.

Management Response:

1a) All *SOPs* have roles and responsibilities clearly defined, including the Stakeholder Management Plan in the Communications SOP. However, the PMO is interested in piloting the use of RACI in Risk Management to enhance the visual representation of roles and responsibilities between college project teams and the PMO. A pilot RACI matrix will be developed the PMO by February 2021.

1b) The SOP will be updated to be consistent with current program practices. February 2021.

1c) COMPLETE - The Estimating SOP has been updated to include additional guidelines related to third party estimates for design-build, design-bid-build, and design-build projects with guaranteed maximum price obtained from open book bidding. The SOP was published and announced October 30, 2020.

Table 2 – PROGRAM PROCESS RATING BY SUB-CATEGORY PROCESS AREA

The table below summarizes the District's bond program's rating for each of the 39 sub-category process areas.

Overall Score: 3.43

Score: 3.4	Score: 3.1		Score: 3.5		Score: 3.6		Score: 3.5
Strategy, Organization, & Administration	Cost & Financial Management		Procurement Management		Project Controls & Risk Management		Schedule Management
Project Strategy & Authorization	Project Budgeting	Variance Analysis	Procurement Planning	Contracting & Contract Standards	Change Management	Compliance Auditing	Schedule Dev. Standards & Processes
Policies & Procedures	Payment Processing & Administration	Project Cost Coding	Solicitation Planning	Contract Administration	Risk Management	Project Site Security	Schedule Change Management
Project Management Reporting	Project Cost Reporting	Cash Disbursement & Cash Flow Reporting	Solicitation	Contract Closeout	Design Standards & Specifications	Quality Control & Inspection	Schedule Management Process
Communications Planning	Estimating & Contingency Management	Historical Trend Analysis	Source Selection	Materials Management	Regulatory Compliance	Environmental, Health & Safety	Schedule Integration
Roles & Responsibilities	Forecasting	Value Engineering			Project Assessments		
Project Planning & Integration Management							
Systems & Tools (Project Infrastructure)							
Document Management							

Legend

Optimized >3.5	Monitored 2.5 to 3.49	Standardized 1.5 to 2.49	Unreliable / Informal 1 to 1.49
Core Process Control	Support Process Control		

Change Orders

Prior to 2014, our performance audit results indicated that the District lacked standard operating procedures for change orders needed improvement. Our performance audit for FY 2016-17 identified instances where *SOP* requirements related to the change order process were not always followed, but all departures were considered low priority. No significant observations were made.

As stated in the *SOP*s, the objective of the change order policies and procedures are to define the preparation and approval processes for proposed change orders, including those change orders that arise form additional work granted on an emergency basis. A change order is used to provide approval of changes to the contract documents, contract amount, milestones and/or contract time.

The program *SOPs* for change orders generally include the components expected for a comprehensive change management process. We did not identify any significant observations of high priority that indicate the change management process as a whole is not in line with leading practices. Based on our testing, however, we noted two areas where the *SOPs* were not consistently followed and/or needed updating. All our change order observations this year were in the low priority category, which is consistent with FY 2016-17.

In this year's audit, we noted two areas related to cot forecasting where the District can improve:

Observation 2: Two change orders were executed without all required approvals. (Low)	

Criteria: Construction Procedure (CP 2.0): Change Orders, Revision 2, effective October 25, 2019, Section 5.3.1.3 Construction Field Order Approvals:

"Contract Adjustments by the use of a Construction Field Order setting forth an agreement between the District and Contractor must be authorized as follows: CPD, RPD, College President, PMO Program Director (or Deputy Program Director), and Chief Facilities Executive (or Director of Facilities Planning and Development) – Must review and sign all CFOs before work can commence.

All Construction Field Orders must be subsequently submitted as a CO for approval and incorporation into the contract in accordance with the Change Order procedures."

Condition:

The required forms within two of ten change order samples were found to have been executed without the appropriate level signature authorization, as required by the *SOPs.*

- **Sample #2B:** The Notice of Change / Delay Form CP-0254 is missing College Project Director's (CPD) signature for COR #245. Note, the CPD's signature is missing for all Notice of Change / Delay forms within the CO #18 (e.g. COR#245, 248R1, 267R1, 276, 281, 282, 284).

- **Sample #3B:** Construction Field Order #50 Form CP-0330 is missing approval by the PMO Deputy Program Director and LACCD's CFE (or Director of Facilities Planning and Development). Contract Adjustments by the use of a Construction Field Order setting forth an agreement between the District and Contractor must be authorized CPD, RPD, College President, PMO Program Director (or Deputy Program Director), and CFE (or Director of Facilities Planning and Development) must review and sign all CFOs before work can commence.

Sample #	Sub-Project #	College	Sub-Project Name	CO #	COR #	COR Amount
2B	01C-108.00	LACC	Da Vinci Hall	CO 018	**245**	$458,916
3B	03H-350.01	LAHC	S.A.I.L.S-Student Union	CO 030	**180**	$80,457

Cause:
While the review and approval of change orders are implemented through the Proliance workflow, approval and sign-off of hard-copy documents are also performed manually. Hand-signed signatures are required for all approval authority levels on standardized CO forms, which resulted in approval steps being missed or skipped.

Effect or Potential Effect:
Authorization and approval is an important controls activity for a program of this size. Approval of the CO and COR forms means that the approver has reviewed the supporting documentation and is satisfied that the submittal is appropriate, accurate and complies with applicable policies and procedures. CPD's signature within Form CP-0254 indicates acknowledgement of receipt and review of the Contractor's Notice of Change / Delay by the College Project Team. However, without the required authorization steps in the approval workflow, it is difficult to confirm whether review was conducted sufficiently. Second, contract adjustments using a Construction Field Order is an agreement between the District and Contractor, however without full acknowledgement and authorization (missing signatures) of this document from the PMO Program Director and Chief Facilities Executive, there is not clear accountability of work delivered and associated risk.

KPMG Recommendations:
2a) The PMO should communicate the instances of missing signatures to CPTs and PMO staff and emphasize the importance of obtaining appropriate signatures before processing a change. 2b) The PMO should consider consolidating the review and approval steps within the PMIS (or electronic) workflow to remove any duplicative and manual review processes.

Management Response:
2a) COMPLETE - During the November 2020 Roundtable meeting, the PMO communicated the importance of complete and appropriate signatures to CPTs and PMO staff before the CPT submits a change order package to the PMO. 2b) COMPLETE - The PMO implemented a workflow process in Adobe e-Sign in March 2020 that enables efficient movement and tracking of change orders and ensures that appropriate final signatures are in place before the changes are executed.

Observation 3: A unilateral change order for urgent T&M work was processed without the appropriate forms required by the *SOPs.* (Low)
Criteria: SOP Section 5.3.1.3 Construction Field Order (CFO) *"…A Construction Field Order (Form CP-0330) is prepared by the CPT to initiate a CO and direct the contractor to proceed with work which has been determined to constitute an emergency or require urgent work, as defined in below, in as much as it would have a substantial detrimental effect on the project if not started or completed prior to the completion of the normal CO process. All CFOs must be incorporated into a Change Order. An emergency situation is defined as an immediate danger to people and/or property, or as an issue that would materially impact the construction schedule and/or project cost if not addressed promptly. The CPT will evaluate whether or not a Construction Field Order is required, or whether a conventional CO can be issued without a negative impact to the schedule due to CO processing time… All Construction Field Orders must be subsequently submitted as a CO for approval and incorporation into the contract in accordance with the Change Order procedures."* Per SOP Section 5.5 Change Order Request (COR), *"If the requested change involves or requires a Contract Adjustment extending the Contract Time, Change Order Requests (CORs) are used to present requested change(s) in contract scope, requirements, or time… Regardless of delivery method, any COR*

submitted must include all documentation needed to support any addition, deletion or revision to the work described in the contract. Supporting documentation will be required per Form CP-0326 Change Order Request Checklist."

Condition:

In one of ten CO samples assessed, the following CO documents were not processed and included in the executed unilateral CO submittal as required by the *SOP*s:

- COR and details were not processed.
- Construction Field Order, check marked as the initiating document on the COR checklist, was not issued.
- Fair Cost Estimate (FCE) was not developed.
- COR Negotiation form was not included.

Sample #	Sub-Project #	College	Sub-Project Name	CO #	CO Amount
10	22G-261.01	South-Gate	South Gate Educational Center - Demo	CO 006	$1,146,430.00

Per the PMO, scope of the work included "a unilateral CO was issued due to the sensitive nature of the work. During the removal of the concrete rubble and structures, it was determined there were significant amount of suspect soils, strong chemical odor, and unforeseen site conditions that affected the concrete rubble. LACCD directed the contractor to cease all onsite demolition activities and allocate remaining and unused funds from their contract to continue with the removal of the concrete rubble and performance of the work."

However, respective CFO and COR documents listed above were not issued with the execution of the change order.

Cause:

The SOP requirements associated with CO and COR processes are not consistently documented and/or referenced for unilateral CO's. For example, procedures for unilateral change orders under Section 5.8.1 include, "*Refer to the Change Order section for additional requirements."* It is unclear as to what "additional requirements" of the CO section pertain to the processing of unilateral CO's.

Effect or Potential Effect:

Internal controls and validation steps by the CPT and PMO may be compromised if various CO processing documents such as the COR with COR details, construction field orders, fair cost estimates, COR negotiation forms are not utilized or missed under emergency situations.

Recommendation:

3) The PMO should re-iterate and enforce the requirements for doing change order work on an emergency or urgent or T&M basis as stated in the field order process.

Management Response:

3) COMPLETE - Given the nature of the specific T&M work, the change order process was the appropriate response to ensure timely payment to the contractor. During the November 2020 Roundtable meeting, the PMO reinforced the use of Construction Field Orders (CFO) for urgent or emergency work, when appropriate, followed by the Change Order approval process.

Risk Management

Since FY 2016-17, when we last audited risk management, we have noted continuous improvements in the District's risk management process. Process changes implemented by the PMO during recent years include enhanced policies and procedures (*SOPs*) and increased oversight and monitoring by the PMO of the overall approach to evaluating and tracking risks.

As stated in the *SOP*s, the objective of the risk management policies and procedures is to implement a proactive, systematic, and disciplined process to manage risks throughout the bond program's life cycle to ensure achievement of the District's program objectives. Such risks include threats to delivering projects on time, within budget and scope. The project risk management process applies to the District, the PMO, and the CPTs, while it is being managed by the PMO risk management team.

The program *SOPs* for risk management include the components generally expected for a comprehensive risk management program. In this year's audit, we did not identify any significant observations of high priority that indicate the risk management process as a whole is not in line with leading practices. However, based on our testing, we noted some areas where the *SOPs* should be updated to clarify ambiguities and better define certain requirements. Additionally, in some instances the *SOPs* need to be better enforced.

In summary, our risk observations and recommendations relate to improvements to the risk workshops as well as recommendations related to improvements to risk monitoring activities as:

Observation 4: RPDs did not consistently attend College Risk Identification Workshops. (Low)
Criteria:
Risk Management (PMA 10.0): Regional Program Director (RPD), Section 4.4 "During the Risk Identification and Risk Controls Workshops, the RPDs are required to attend every session and to support the CPT in developing the necessary data required for the qualitative and quantitative assessment performed by the RMT and Controls Team. The RPD is responsible for closing risks on their assigned College's risk registers, and certifying the closure by coordinating the reasoning with the CPD and CPT Project Manager."
Condition:
The *SOPs* requires that RPDs attend all college Risk Identification Workshops however, in four of six samples assessed, respective RPDs did not attend them during the time period audited. RPD signatures were missing on the attendance sign-in sheets at City, West, Trade Tech, and Harbor indicating their absence.
Cause:
Requirements for the RPD to attend all Risk Identification Workshops were not enforced. The PMO noted that RPD involvement in the college risk identification process varied depending on the level and nature of the work. In the case that the RPD did not attend, the CPDs may have had sufficient knowledge of campus risks to attend in place of the RPD, since an RPD is most involved in the process when giving approval to close risks. This resulted in an informal and undocumented delegation process, which may have been sufficient at the time.
Effect:
Missing RPD attendance at college Risk Identification Workshops may result in risks not being appropriately accounted for, properly mitigated or compared as part of the larger campus network, as RPDs are unable to provide input and guidance to the CPTs if they are missing the workshops. Lacking RPD attendance or documented, appropriate delegation may also reduce an effective relay of risks and mitigation strategies between the PMO and the colleges.

Recommendations:
4a) The PMO should re-iterate and enforce the requirement for the RPDs to attend the college Risk Identification Workshops to the RPDs.
4b) The *SOPs* should be updated to note that the CPD will attend on behalf of the RPD and assume respective responsibilities in case the RPD is unable to attend Risk Identification Workshops. In addition, the SOP should require a summary of updates and any changes made during the workshops should be provided to and evaluated by the RPDs.
Management Response:
4) During the November 2020 roundtable meeting, the PMO reinforced the importance and preference for RPD attendance at college Risk Identification Workshops, and when the RPD cannot attend, another PMO regional project team member must be in attendance. In addition, the PMO will be updating the SOP update by February 2021.

Risk Observation 5: Annual Risk Controls Workshop was not held during the audit period as required by the *SOP,* which states they should be facilitated every year for each college. (Low)
Criteria:
Risk Management (PMA 10.0): Section 3.1 "*Risk Controls Workshop – annual quantitative analysis sessions with the CPTs (at the College and project-level), PMO Department Leads (at the Program-level), and the applicable Estimators, Schedulers, Controls Manager, and/or Cost Analyst (Controls Team) to assess cost and/or schedule impacts for risk(s) at the College, project, and Program level, if any, and establish or modify the risk values associated therewith.*"
Section 5.2.2, "*The estimated Risk Values are then input into the SharePoint Risk Register system by the Cost Analyst or RMT, then subsequently exported into the Quantitative Risk Analysis (QRA) reports or models by the Risk Manager. The reports and/or models are intended to provide a range of possible cost and time impacts that will be distributed to the District, PMO, CPD, and College-level for review.*"
Condition:
The *SOPs* requires that a larger Risk Controls Workshop be facilitated annually for each college to assess cost and/or schedule risk(s) at the college, project, and program level. No such workshop was conducted during FY2019-20 nor did the required annual workshops shift to a remote or virtual setting during the audit period.
Cause:
Per discussions with the PMO, the annual Risk Controls Workshops scheduled to be held in March 2020 were postponed due to COVID-19. The PMO resumed virtual workshops beginning August 2020.
Effect:
Delay of the Risk Controls Workshops may pose a potential risk to the Program if the quantitative impacts on risks due to the COVID-19 pandemic were not identified and mitigation strategies were not developed in a timely manner. Given the numerous stakeholder's that rely on the accuracy of risk values assessed, increased importance falls on the annual Risk Controls Workshop to occur effectively.
Recommendation:
5) The PMO should continue facilitating virtual annual Risk Controls Workshops in accordance with the *SOPs* and adjust as necessary given the state of the current remote work environment.
Management Response:
5) Annual Risk Controls Workshops at colleges were delayed due to COVID-19 and resumed in August 2020. PMO will update the SOP to reflect current process for annual risk control workshops and annual risk control presentation to college presidents. Expected date to complete SOP update is February 2021.

Observation 6: There is no evidence that Risk Registers were consistently monitored and updated on a monthly basis, as required. Additionally, risk mitigation measures were not consistently documented for all risks identified (Medium)
Criteria:
Risk Management (PMA 10.0): Risk Identification, Section 5.2.1 "*Risk Owner (required) – Risk Owners are required to monitor and/or update their risks on a monthly basis. Each risk requires a Risk Owner that is currently on the Building Program, has immediate knowledge of the risk, and is able to implement mitigation measures to manage that risk.*" Risk Management (PMA 10.0): Risk Mitigation Development, Section 5.2.1.4 "*Once all risk components, likelihood, and impact values are assigned, the SharePoint Risk Register requires Risk Owners to develop risk mitigation measures and associated due dates for each risk identified.*" Risk Management (PMA 10.0): Risk Identification, Section 5.2.1 "*Mitigation Strategy (required) –Risk Owner is required to coordinate mitigation measures with CPD, and communicate risks and mitigation measures to RPD and RMT if the Risk Level elevates to Red..*"
Condition:
The CPT did not fully document updates to risk comments in the *Risk Register* on a monthly basis. Comments on high priority risks remained unchanged from a span of five to eleven months; it is unclear as to how proactively risk owners are updating, managing and monitoring open risks. The PMO noted that high priority risks may be projected out a year in advance and updated as needed. Although the SOP clearly outlines that the *Risk Register* is to be used as a daily management tool with a requirement for the CPTs to update the respective risk components on a monthly basis, updates to risk comments within the sample selection were not made in the frequency expected. Risk mitigation measures were not consistently documented for all risks identified, as required per *SOP Section 5.2.1*. The mitigation measure count did not reconcile to the total number of risks. For example, the *July 2019 Risk Status Report* for Trade Tech College shows that of the 40 open risks, while only 27 mitigation measures have been planned. Further, of the 1,333 closed risks, only 725 mitigation measures have been completed. While it is possible that certain risks cannot be avoided or mitigated in any meaningful way, and the benefits to the project far outweigh the risks. Lastly, no guideline or criteria is utilized across the CPTs to input mitigation measures in a standardized format. Therefore, documentation of mitigation measures is inconsistent across the campuses and do not always detail actual measures taken or planned.
Cause:
Per the PMO, the CPTs and risk owners update risk comments on an as-needed basis. High priority risks may be projected out a year in advance and may not necessarily change from month-to-month. If there is no change to a risk, there may not be an indication of the evaluation that took place to come to this conclusion in the Risk Register. Per discussions with the CPTs and PMO, was noted that historically the requirements for developing mitigation measures for all risks may not have been as strictly enforced. This is currently being addressed through guidance provided to the CPTs regarding development and input of mitigation strategies for all risks within the risk register. Per our review of the *June 2020 Risk Status Reports* provided, the variance between risks and planned mitigation strategies has improved. The layout of BuildLACCD's risk reporting system interface makes it difficult to review mitigation measure requirements and compliance. Each risk ID must be clicked individually to enter, review or update mitigation measures. The CPT's also noted during the interviews held on September 1, 2020, that

the Risk Register system has a character limitation restricting the amount of content and that can be input to provide details on the mitigation strategy.

Effect:

The effectiveness of the risk management process is at risk without active involvement of the CPTs, appropriate controls and oversight of the PMO, and utilization of tools, *Risk Register,* to track, define, and manage risks on an ongoing basis. As stated by the *SOPs*, accuracy relies on the constant collaboration and assessment of risks, a process evidenced by updates to the risks and risk comments.

Moreover, when risk comments do not include a chronology of dates and updates, it may be difficult for reviewers and risk owners to gain a clear understanding of the progression of the risk over time. Failure to provide frequent updates can result in risks getting overlooked in addition to miscommunication if actions are taken to address risks without proper updates to document such actions.

Ongoing development and management of risk mitigation strategies is essential to minimizing the loss of delivered value to the LACCD stakeholders. Lack of established mitigation measures and strategies developed will prevent the Program from proactively taking steps to effectively minimize and mitigate the impacts of the risks.

Recommendations:

6a) The PMO should consider updating the *SOPs* to reflect the current practice of standardizing updates to risk comments by Risk owners across projects and colleges.

6b) The PMO should perform a monthly reconciliation to identify variances between open risks and mitigation measures.

6c) *College Risk Register Reports* should be updated to include mitigation measures (or documentation of no measures taken with an explanation as to why), in order to better facilitate ongoing action and monitoring of all mitigation strategies.

6d) The *SOPs* should be updated to include documented monthly reporting criteria for the *Risk Mitigation Report* with a structured cadence and audience for distribution.

Management Response:

6a) COMPLETE - Workshops to update the college and PMO risk registers were implemented August 2020 and will continue on a monthly basis. Risk management is enforcing a standardized requirement that risk comments must include the date of the most current risk comment update, while also preserving the list of previous updates. In the case where no updates are available, risk owners will include a brief update such as, "No change," to evidence ongoing assessment and facilitate active management of each risk items.

6b) COMPLETE - As of August 2020, the Risk Manager meets regularly with college project teams to review and update open risks and mitigation measures and ensure team members understand how and why this is being done.

6c) COMPLETE – As of August 2020, during these meetings, college project teams are educated on appropriate mitigation measures and how to document the current state in order to more effectively monitor and mitigate risks. Mitigation measures are more detailed and require a mitigation action plan to describe what specifically was actually done or what is being done and what would be the next mitigation measure.

6d) The SOP is being updated to reflect the changes to the processes, such as whether there is a CPT/Risk meeting monthly or not, there will be an update by CPT for every risk at least every 30 days. If no change, there will at least be a note in the risk register, e.g. "continuing to follow up on mitigation" or "no change since the last update." Expected date to complete SOP update is February 2021.

Observation 7: The review and monitoring processes of monthly risk reports at the Program level did not adequately identify reporting inconsistencies. (Medium)
Criteria: Risk Management (PMA 10.0): Risk Management & Review, *Section 5.2.3 "Periodic reviews and updates (quarterly at a minimum) at the Program and college level must take place to verify that each risk register represents reality and is used as an active management tool to mitigate risks and encourage opportunities. Monthly risk register reviews by the RMT directly inform monthly risk KPIs and reports. RMT is to inform Program Director and Deputy Program Director of high risk projects and/or top risks at weekly Senior Staff Meetings or weekly Bond Program Update Meetings."* Section 5.1.2 Risk Report Module," *The SharePoint system allows for comprehensive reporting and produces tailored reports for various stakeholders. Each CPT and PMO risk register user has access to the Risk Register Standard Reports module, which contains various reports available for their use. Report types available to CPDs, CPTs, and PMO Department Leads include: Risk Status Report, Program Review Report, Program Risk Register Tracking Report, Campus Risk Register Tracking Report* *The RMT generates the above-mentioned reports on a monthly basis for all Colleges and the PMO to inform the District of the outstanding Bond Program risks, including tracking, trending, and probability of those risks.*
Condition: Per review of the monthly reports generated by the RMT for all months within the audit period, risk data did not consistently reconcile between reports (i.e. *Risk Status Report, Program Review Report, Program Risk Register Tracking Report, Campus Risk Register Tracking Report, and the QRA Risk Model Briefing*). Inconsistencies in risk data were observed for several months in the audit period, but were corrected in April 2020 after a system "glitch" was discovered.
Cause: Prior to April 2020, review of reports prior to final distribution to all Colleges and the District, did not recognize that reports were not reconciling. The PMO relied heavily on previously established automated processes to generate the reports to pull data directly from the risk register. The error, discovered in April 2020, prevented risk reports from correctly linking to the correct data source, causing erroneous information to be included in report updates. Additionally, the *SOPs* do not require a defined level of PMO oversight or reporting structure for projects that meet a designated threshold of size and complexity.
Effect: Misalignment between the reports may mean that some risks were not properly accounted for or analyzed by the designated authorities. The system error persisted for a period of 8-9 months during the audit period, demonstrating that reports could potentially have provided erroneous and/or outdated data which would affect the effectiveness of risk management analyses as a whole.
Recommendation: 7) The PMO should perform a thorough reconciliation between the college risk registers and reports on a monthly basis to ensure that risks and risk values align across reports presented to all Colleges and the District. (The audit confirmed the *Campus Risk Registers* and *Program Review Reports* are in alignment across all campuses from April 2020 onward.)
Management Response: 7) COMPLETE - System updates made in 2019 necessitated a manual refresh to update risks and PMO IT is monitoring and managing issues the SharePoint risk register. Two new procedures have been implemented: 1) As of April 2020, PMO IT refreshes the risk register monthly at month end. 2) As of July 2020, Risk management support updates and manually refresh risk register data before any reports are produced and issued.

Observation 8: There is no mechanism to track risks as they transition from an identified risk to a change management item. (Low)
Criteria:
Risk Management (PMA 10.0): Risk Management & Review, Section 5.1.3 Risk Tracking & Trending, *"The SharePoint system, with the use of the Program's Data Warehouse, enables the Risk Management Program to track and trend various factors and show changes in one or more variables over time. These trending reports directly inform the Risk KPI and allow the PMO Risk Manager to uncover risk commonalities (or anomalies) across the Program."*
Condition:
There is no reliable mechanism to track risks as they transition from a risk to a change management. Risks are closed within the risk registers with the receipt of Change Order Requests (CORs) as to prevent capturing risks in multiple places.
During multiple interviews held with the CPTs on September 1, 2020, and the RMT on September 10, 2020, it was explained that the tracking of risks is highly manual process. Once risks are closed, they must be manually entered into change management and removed from the risk register with reference to the newly created change orders. Once risks are closed, the correlating Risk ID is no longer tracked within Change Management or the Change Order Log. In the case where PMs reject CORs, the risk will need to be added back into the risk register with a new ID; the previously closed risk may not be reopened. Tracking of risks is currently a manual process from Risk to Change Management.
Cause:
Per the PMO, risk and change management processes are run on disparate systems. There is no common ID structure to track and reconcile risks from risk to change management. The *SOPs* have not been designed to document a robust process for outlining procedures and responsibilities for tracking risks as they move through the change management system.
Effect or Potential Effect:
Appropriate risk impacts and values may not be captured in both systems. The closing and re-opening of risks may be missed due to the disparate processes and systems between Risk and Change Management. Per the PMO, potential claims may come in for a COR that was previously rejected. If the correlating risk is not re-entered into the risk register, the risk impact (cost or schedule delays) will not be appropriately captured in either systems. Additionally, risk impacts and values may be duplicative if the correlating risk was not closed with the receipt of the COR in Change Management.
Recommendations:
8a) The PMO should consider adding a section within the SOP to clearly delineate the tracking and management of risks at the Risk to Change Management touchpoint.
8b) Additionally, the PMO should consider using a common risk ID structure to track risks as it is entered into the Change Management system. A periodic reconciliation of risks should occur between Risk and Change Management to prevent any potential risk impacts from being overlooked, missed or duplicated on either systems.
Management Response:
8ab) The SOP for Change Management was updated 10/30/2020 to include actions to address rejected Change order requests. The Risk management SOP will be updated February 2021.
8b) The Risk SOP will be updated to reflect the following practice: When a risk graduates to a change order, it is removed from the risk register and the application retires the risk ID number. If the change order is subsequently rejected by the CPT, the rejected change order is removed from the change order log. If a rejected change order is deemed by CPT/Risk to be a continuing risk, it will be entered as a new risk with a new ID# automatically assigned. The Risk Manager will follow up to identify and reconcile risks that resulted in rejected change order requests.

Procurement

Over the years, we have noted significant improvements to the Program's procurement process, including enhancements to the vendor selection and evaluation process. For the FY 2017-18 performance audit period, when we last audited procurement, we did not identify any reportable conditions or recommendations.

As stated in the *SOP*s, the objective of the procurement policies and procedures is to implement a proactive, systematic, and disciplined process to manage risks throughout the bond program's life cycle to ensure achievement of the District's program objectives. Such risks include threats to delivering projects on time, within budget and scope. The project risk management process applies to the District, the PMO, and the CPTs, while it is being managed by the PMO risk management team.

The program *SOPs* for procurement include the components we would generally expect for a significant public bond program. We did not identify any significant observations of high priority that indicate the procurement process as a whole is not conforming with leading practices. Based on our testing, we noted two areas where the *SOPs* should be updated to provide clarifications.

The tables below summarizes the audit's observations and recommendations and recommendations:

Observation 9: It is unclear what steps were followed to assess, document, and resolve any personal conflicts of interest disclosed by an evaluation panel member. (Low)
Criteria: SOP Program Management Administration (PMA 8.0): Contract Management Revision 7, Section 5.11.3 Conflicts of Interest,   *"a) The Contract Administrator must inform the evaluation panel members regarding potential and actual conflicts of interest that may affect the procurement and the evaluators' duty to report any such potential or actual conflicts of interest prior to beginning the evaluation.*   *b) Note that each evaluator must review and sign a certification that the evaluator has no conflicts of interest regarding the procurement or the individual proposers. District and PMO Employees should also complete, sign, and file Form 700 financial disclosures before participating in the evaluation if they are required to file.*   *c) It is incumbent upon all evaluators to announce to the Contract Administrator if they may have conflicts of interest and recuse themselves from scoring if necessary. If an evaluator is unsure about a potential conflict of interest, the evaluator should seek assistance from the Contract Administrator. If there does appear to be a potential conflict of interest, the Contract Administrator should then seek a ruling from the Contracting Officer as to whether or not the evaluator should be recused.*   *d) If an evaluator determines or it is determined that an evaluator has an actual conflict of interest during the course of the evaluation, the Contract Administrator will immediately seek the assistance of the Contracting Officer. The Contracting Officer will then determine if seriousness of the conflict (including if it is an ongoing or past conflict) merits dismissing the evaluator and nullifying the evaluator's scores. The Contracting Officer may seek guidance from Lead Construction Counsel as necessary."*   and Section 5.12.1.1 Conflicts of Interest Checklist and Confidentiality Requirement Form,   *"In addition to the Form 700, Subject Matter Experts (SMEs), Technical Leads and Evaluation Panel participants are required to complete an additional COI Checklist and Confidentiality Requirement Form provided by PMO Contracts. The Contract Administrator will review the COI Checklist and Confidentiality Requirement Form and identify whether a conflict exists. If a conflict is identified, it shall be raised to the Contract Officer for further review and action."*

Condition:
Our audit identified instances of potential personal conflicts of evaluation panel members, based on their answers on the conflicts of interest (COI) checklist for two of ten samples. The checklist serves as a certification that the evaluator must review and sign that there are no conflicts of interest regarding the procurement or the individual proposers. In two of ten samples, the evaluator noted "Yes" to being previously employed by any person or entity proposing. The evaluator provided further clarification to being previously employed by the entity in 2012.

    a) It is unclear as to what steps were taken by the Contract Administrator and the Contracting Officer to thoroughly assess and resolve the issue.

    b) Documentation of the assessment and ruling by the Contracting Officer is not available. Per the PMO, pursuant to SOP Section 5.12.1.1, the conflict was raised to the Contract Officer (Director of Contracts) at the time for his review and action. Approval to proceed with the evaluators participation was reportedly given verbally by the Director of Contracts.

    c) A standardized criteria to address conflicts and support the decision-making process, such as defining the probationary employment period requirements, is not provided in the SOP.

Cause:
The *SOPs* do not include requirements for assessing, documenting, and resolving potential personal conflicts of interest disclosed by panel evaluators.

Effect or Potential Effect:
In lieu of standardized process and procedure to resolve potential personal conflicts of interest, the Contract Administrator and Contracting Officer are forced to utilize their personal judgement and/or industry experience. Additionally, without documentation requirements, decisions to address COI issues may lack sufficient supporting documentation to determine the nature and/or criticality of conflicts identified.

Recommendation:
9) The SOP should be updated to clearly define the process to assess, documentation, and resolve potential conflicts of interest, which may include, establishing a standardized criteria for consideration and the implementation of standardized form to document the process and mitigation measure or final decision by the Contracting Officer.

Management Response:
9) COMPLETE - Per the SOP, the conflict disclosure was raised to the Director of Contracts for a decision. It was determined that having worked for a participating contractor in the past alone did not present a conflict for this individual to perform his function as the SME for this procurement. The SOP has been updated and communicated as of October 30, 2020 to now include standardized criteria for considering past employment as a potential conflict of interest. The SOP now also includes a process for documenting the basis of the decision by the Director of Contracts.

Observation 10: A participant in the formal evaluation panel for procurement was not listed on the Evaluation Panel Memo formally approved by the District CFE or designee, as required by the SOPs. (Low)
Criteria: *SOP Program Management Administration (PMA 8.0): Contract Management Revision 7, Section 5.11.3 – Evaluation Panels* *Per Section 5.11.3, "The Contract Administrator assembles evaluation panels for all formal procurements, prepares a letter for the District CFE or designee with details of the procurement status and evaluation panel, and obtains the CFE's or designee's approval before proceeding with a formal*

evaluation. Participants in a formal evaluation panel are to be approved by the CFE or designee and use standard scoring criteria delineated in the procurement documents for each type of contract award and project delivery method.

The evaluation panel is nominated by the PMO Senior Management for District Wide Procurements and Regional Program Director and the College Project Director for College Level Procurements…Evaluation panels are generally composed of three to five individuals representing the PMO, colleges, and CPTs, as appropriate. Evaluation panels (especially for construction projects) comprise voting members and technical experts to assist the voting members.

Condition:

In one of ten procurement samples reviewed, we identified one instance where one participant of an evaluation panel was not formally approved by the District CFE or designee via the approved Evaluation Panel Memo, as required. The intent of the evaluation panel memo is to document CFE approval of the scoring participants. In this case, the evaluator, a Subject Matter Expert (SME), was designated to support the evaluation panels and provide scoring on specific technical items. However, the SME was not listed as an approved member of the panel within the *Evaluation Panel Memo*.

Cause:

This particular evaluator has served as a default participant on multiple procurements who historically was not identified on the evaluation panel memo. As the evaluator's role was recurring, the need for documenting his or her potential conflicts was not considered each time.

Effect or Potential Effect:

Without a comprehensive process to evaluate potential conflicts of interests for ALL panel members, there is a risk that an unidentified personal conflict exists, which may compromise the integrity of the selection process.

Recommendations:

10) The SOP should be updated to emphasize the need to include approval of all evaluation panel participants, including subject matter experts, prior to participating in any formal procurement evaluations.

Management Response:

10) COMPLETE - It has been a consistent practice to have the CED manager participate in this process. The evaluation panel memo was capturing approval of the panel members that were not consistent participants. Despite not being identified on the evaluation panel memo for reasons previously stated, the CED Manager did go through the same conflict of interest process as the other evaluators.

For enhanced clarity, the PMO has updated the SOP, and the evaluation panel memos for this procurement type now will include the CED Manager or other SME's, as applicable. Evaluation panel memos were updated in March 2020 and have included SMEs since that time, as applicable.

APPENDIX A - SUMMARY OF OBSERVATIONS

N.	FY2019-20 Audit Observation	KPMG Effect/Recommendation	Management Response	Process Owner
POLICIES & PROCEDURES				
1	**There District can continue to improve and clarify the SOPs in the following areas (Low):** 1a) implement RACI charts, 1b) clarify strategic execution plan (SEP) and cost management review (white paper process), 1c) add guidelines related to 3rd party estimates.	**Effect:** 1a) A RACI chart helps to clarify the functional role of participants and lists actions and decisions necessary to deliver a project. A RACI defines who is responsible for performing an activity, who has approval authority and is ultimately accountable, who is consulted for review and feedback, and who is informed of decisions or actions. Each functional role is held accountable for identified activities, ensuring that personnel are adhering to the documented procedural steps. A great benefit of a RACI is its visual representation, which is easy for most people to reference and understand. Per leading practices, use of a RACI charts helps facilitate ongoing and effective communication throughout the project lifecycle, and helps decrease errors and mistakes in process steps. 1b) The process for establishing project priorities is not clearly defined within the *SOPs*; as such, there is potential risk that the prioritization process may not be uniformly applied across the campuses and specific projects and may result in strategic misalignment related to capital spend, among colleges and other stakeholders. 1c) While third-party estimates may not be useful for all types of projects (i.e., small dollar value, simple projects), they can add another level of scrutiny that should be applied uniformly across the campuses. Without a documented requirement there is a potential risk that campuses may not uniformly utilize third-	**Management Response:** 1a) All SOPs have roles and responsibilities clearly defined, including the Stakeholder Management Plan in the Communications SOP. However, the PMO is interested in piloting the use of RACI in Risk Management to enhance the visual representation of roles and responsibilities between college project teams and the PMO. A pilot RACI matrix will be developed the PMO by February 2021. 1b) The SOP will be updated to be consistent with current program practices. February 2021. 1c) COMPLETE - The Estimating SOP has been updated to include additional guidelines related to third party estimates for design-build, design-bid-build, and design-build projects with guaranteed maximum price obtained from open book bidding. The SOP was published and announced October 30, 2020.	**Build LACCD (PMO)**

N.	FY2019-20 Audit Observation	KPMG Effect/Recommendation	Management Response	Process Owner
		party estimates for complex, high risk, high dollar value projects which may result in incorrect or inconsistent estimates. **Recommendations:** 1a) LACCD should consider developing RACI matrices for complex processes that require contribution from many stakeholders. The purpose is to illustrate distinct "swim lanes" for each process not just by department, but by role. 1b) The PMO should update *SOP for Strategic Execution Plan (SEP) and Cost Management Review,* to reflect the Program's most current procedures. The PMO should also incorporate the "white paper process" currently being performed by the PMO and CPTs with the *SOPs.* 1c) The *SOPs* should be updated to include guidance for utilizing third-party estimates from professional estimators and/or quantity surveyors detailing the specific circumstances which may require a project to obtain third-party estimates.		
	CHANGE ORDERS			
2	**Two change orders were executed without all required approvals. (Low))**	**Effect:** Authorization and approval is an important controls activity for a program of this size. Approval of the CO and COR forms means that the approver has reviewed the supporting documentation and is satisfied that the submittal is appropriate, accurate and complies with applicable policies and procedures. CPD's signature within Form CP-0254 indicates acknowledgement of receipt and review of the Contractor's Notice of Change / Delay by the College Project Team. However, without the required authorization	**Management Response:** 2a) COMPLETE - During the November 2020 Roundtable meeting, the PMO communicated the importance of complete and appropriate signatures to CPTs and PMO staff before the CPT submits a change order package to the PMO. 2b) COMPLETE - The PMO implemented a workflow process in Adobe e-Sign in	**Build LACCD (PMO)**

N.	FY2019-20 Audit Observation	KPMG Effect/Recommendation	Management Response	Process Owner
		steps in the approval workflow, it is difficult to confirm whether review was conducted sufficiently. Second, contract adjustments using a Construction Field Order is an agreement between the District and Contractor, however without full acknowledgement and authorization (missing signatures) of this document from the PMO Program Director and Chief Facilities Executive, there is not clear accountability of work delivered and associated risk. **Recommendations:** 2a) The PMO should communicate the instances of missing signatures to CPTs and PMO staff and emphasize the importance of obtaining appropriate signatures before processing a change. 2b) The PMO should consider consolidating the review and approval steps within the PMIS (or electronic) workflow to remove any duplicative and manual review processes.	March 2020 that enables efficient movement and tracking of change orders and ensures that appropriate final signatures are in place before the changes are executed.	
3	**A unilateral change order for urgent T&M work was processed without the appropriate forms required by the *SOPs*. (Low)**	**Effect:** Internal controls and validation steps by the CPT and PMO may be compromised if various CO processing documents such as the COR with COR details, construction field orders, fair cost estimates, COR negotiation forms are not utilized or missed under emergency situations. **Recommendation:** The PMO should re-iterate and enforce the requirements for doing change order work on an emergency or urgent or T&M basis as stated in the field order process.	**Management Response:** COMPLETE - Given the nature of the specific T&M work, the change order process was the appropriate response to ensure timely payment to the contractor. During the November 2020 Roundtable meeting, the PMO reinforced the use of Construction Field Orders (CFO) for urgent or emergency work, when appropriate, followed by the Change Order approval process.	**Build LACCD (PMO)**
	RISK MANAGEMENT			

N.	FY2019-20 Audit Observation	KPMG Effect/Recommendation	Management Response	Process Owner
4	**RPDs did not consistently attend College Risk Identification Workshops, as required. (Low)**	**Effect:** Missing RPD attendance at college Risk Identification Workshops and Risk Controls Workshops may result in risks not being appropriately accounted for, properly mitigated or compared as part of the larger campus network, as RPDs are unable to provide input and guidance to the CPTs if missing the workshops. Missing RPD attendance may also reduce an effective relay of risks and mitigation strategies between the PMO and the colleges. **Recommendations:** 4a) The PMO should re-iterate and enforce the requirement for the RPDs to attend the college Risk Identification Workshops to the RPDs. 4b) The SOPs should be updated to note that the CPD will attend on behalf of the RPD and assume respective responsibilities in case the RPD is unable to attend Risk Identification Workshops. In addition, the SOP should require a summary of updates and any changes made during the workshops should be provided to and evaluated by the RPDs.	**Management Response:** During the November 2020 roundtable meeting, the PMO reinforced the importance and preference for RPD attendance at college Risk Identification Workshops, and when the RPD cannot attend, another PMO regional project team member must be in attendance. In addition, the PMO will be updating the SOP update by February 2021.	**Build LACCD (PMO)**
5	**Annual Risk Controls Workshop was not held during the audit period as required by the *SOP*, which states they should be facilitated every year for each college. (Low)**	**Effect:** Delay of the Risk Controls Workshops may pose a potential risk to the Program if the quantitative impacts on risks due to the COVID-19 pandemic were not identified and mitigation strategies were not developed in a timely manner. Given the numerous stakeholder's that rely on the accuracy of risk values assessed, increased importance falls on the annual Risk Controls Workshop to occur effectively. **Recommendation:** The PMO should continue facilitating virtual annual Risk Controls Workshops in accordance with the SOPs and	**Management Response:** Annual Risk Controls Workshops at colleges were delayed due to COVID-19 and resumed in August 2020. PMO will update the SOP to reflect current process for annual risk control workshops and annual risk control presentation to college presidents. Expected date to complete SOP update is February 2021.	**Build LACCD (PMO)**

N.	FY2019-20 Audit Observation	KPMG Effect/Recommendation	Management Response	Process Owner
		adjust as necessary given the state of the current remote work environment.		
6	**There is no evidence that Risk Registers were consistently monitored and updated on a monthly basis, as required. Additionally, risk mitigation measures were not consistently documented for all risks identified (Medium)**	**Effect:** The effectiveness of the Risk Management process is at risk without active involvement of the CPTs, appropriate controls and oversight of the PMO, and utilization of tools (Risk Register) to track, define, and manage risks on an ongoing basis. As stated by the SOPs, accuracy relies on the constant collaboration and assessment of risks, a process evidenced and facilitated by updates to the risks and risk comments. Moreover, when risk comments do not include a chronology of dates and updates, it may be difficult for reviewers and risk owners to gain a clear understanding of the progression of the risk over time. Failure to provide frequent updates can result in risks getting overlooked in addition to miscommunication if actions are taken to address risks without proper updates to document such actions. Ongoing development and management of risk mitigation strategies is essential to minimizing the loss of delivered value to the LACCD stakeholders. Lack of established mitigation measures and strategies developed will prevent the Program from proactively taking steps to effectively minimize and mitigate the impacts of the risks. **Recommendations:** 6a) The PMO should consider updating the SOPs to reflect the current practice of standardizing updates to risk 6b) The PMO should perform a monthly reconciliation to identify variances between open risks and mitigation measures. 6c) College Risk Register Reports should be updated to include mitigation measures (or documentation of no	**Management Response:** 6a) COMPLETE - Workshops to update the college and PMO risk registers were implemented August 2020 and will continue on a monthly basis. Risk management is enforcing a standardized requirement that risk comments must include the date of the most current risk comment update, while also preserving the list of previous updates. In the case where no updates are available, risk owners will include a brief update such as, "No change," to evidence ongoing assessment and facilitate active management of each risk items. 6b) COMPLETE - As of August 2020, the Risk Manager meets regularly with college project teams to review and update open risks and mitigation measures and ensure team members understand how and why this is being done. 6c) COMPLETE – As of August 2020, during these meetings, college project teams are educated on appropriate mitigation measures and how to document the current state in order to more effectively monitor and mitigate risks. Mitigation measures are more detailed and require a mitigation action plan to describe what specifically was actually done or what is being done	**Build LACCD (PMO)**

N.	FY2019-20 Audit Observation	KPMG Effect/Recommendation	Management Response	Process Owner
		measures taken with an explanation as to why), in order to better facilitate ongoing action and monitoring of all mitigation strategies. 6d) The SOPs should be updated to include documented monthly reporting criteria for the Risk Mitigation Report with a structured cadence and audience for distribution.	and what would be the next mitigation measure. 6d) The SOP is being updated to reflect the changes to the processes, such as whether there is a CPT/Risk meeting monthly or not, there will be an update by CPT for every risk at least every 30 days. If no change, there will at least be a note in the risk register, e.g. "continuing to follow up on mitigation" or "no change since the last update." Expected date to complete SOP update is February 2021	
7	**The review and monitoring processes of monthly risk reports at the Program level did not adequately identify reporting inconsistencies. (Medium)**	**Effect:** Misalignment between the reports may mean that some risks were not properly accounted for or analyzed by the designated authorities. The system error persisted for a period of 8-9 months during the audit period, demonstrating that reports could potentially have provided erroneous and/or outdated data which would affect the effectiveness of risk management analyses as a whole. **Recommendation:** The PMO should perform a thorough reconciliation between the college risk registers and reports on a monthly basis to ensure that risks and risk values align across reports presented to all Colleges and the District. (The audit confirmed the Campus Risk Registers and Program Review Reports are in alignment across all campuses from April 2020 onward.)	**Management Response:** COMPLETE - System updates made in 2019 necessitated a manual refresh to update risks and PMO IT is monitoring and managing issues the SharePoint risk register. Two new procedures have been implemented: 1) As of April 2020, PMO IT refreshes the risk register monthly at month end. 2) As of July 2020, Risk management support updates and manually refresh risk register data before any reports are produced and issued.	**Build LACCD (PMO)**
8	**There is no reliable mechanism to track risks as they transition from an**	**Effect:** Appropriate risk impacts and values may not be captured in both systems. The closing and re-opening of risks may be missed due to the disparate processes and systems between	**Management Response:** 8ab)The SOP for Change Management was updated 10/30/2020 to include actions to	**Build LACCD (PMO)**

N.	FY2019-20 Audit Observation	KPMG Effect/Recommendation	Management Response	Process Owner
	identified risk to a change management item. (Low)	Risk and Change Management. Per the PMO, potential claims may come in for a COR that was previously rejected. If the correlating risk is not re-entered into the risk register, the risk impact (cost or schedule delays) will not be appropriately captured in either systems. Additionally, risk impacts and values may be duplicative if the correlating risk was not closed with the receipt of the COR in Change Management. **Recommendations:** 8a) The PMO should consider adding a section within the SOP to clearly delineate the tracking and management of risks at the Risk to Change Management touchpoint. 8b) Additionally, the PMO should consider using a common risk ID structure to track risks as it is entered into the Change Management system. A periodic reconciliation of risks should occur between Risk and Change Management to prevent any potential risk impacts from being overlooked, missed or duplicated on either systems.	address rejected Change order requests. The Risk management SOP will be updated February 2021. 8b) The Risk SOP will be updated to reflect the following practice: When a risk graduates to a change order, it is removed from the risk register and the application retires the risk ID number. If the change order is subsequently rejected, the rejected change order is removed from the change order log. If a rejected change order is deemed by CPT/Risk to be a continuing risk, it will be entered as a new risk with a new ID# automatically assigned. The Risk Manager will follow up to identify and reconcile risks that resulted in rejected change order requests.	
	PROCUREMENT			
9	**It is unclear what steps were followed to assess, document, and resolve any personal conflicts of interest disclosed by an evaluation panel member. (Low)**	**Effect:** In lieu of standardized process and procedure to resolve potential personal conflicts of interest, the Contract Administrator and Contracting Officer are forced to utilize their personal judgement and/or industry experience. Additionally, without documentation requirements, decisions to address COI issues may lack sufficient supporting documentation to determine the nature and/or criticality of conflicts identified.	**Management Response:** COMPLETE - Per the SOP, the conflict disclosure was raised to the Director of Contracts for a decision. It was determined that having worked for a participating contractor in the past alone did not present a conflict for this individual to perform his function as the SME for this procurement. The SOP has been updated and communicated as of October 30, 2020 to now include standardized criteria for	**Build LACCD (PMO) and CPTs**

N.	FY2019-20 Audit Observation	KPMG Effect/Recommendation	Management Response	Process Owner
		Recommendation: The SOP should be updated to clearly define the process to assess, documentation, and resolve potential conflicts of interest, which may include, establishing a standardized criteria for consideration and the implementation of standardized form to document the process and mitigation measure or final decision by the Contracting Officer.	considering past employment as a potential conflict of interest. The SOP now also includes a process for documenting the basis of the decision by the Director of Contracts.	
10	**A participant in the formal evaluation panel for procurement was not listed on the Evaluation Panel Memo formally approved by the District CFE or designee, as required by the SOPs. (Low)**	**Effect:** Without a comprehensive process to evaluate potential conflicts of interests for ALL panel members, there is a risk that an unidentified personal conflict exists, which may compromise the integrity of the selection process. **Recommendation:** The SOP should be updated to emphasize the need to include approval of all evaluation panel participants, including subject matter experts, prior to participating in any formal procurement evaluations.	**Management Response:** COMPLETE - It has been a consistent practice to have the CED manager participate in this process. The evaluation panel memo was capturing approval of the panel members that were not consistent participants. Despite not being identified on the evaluation panel memo for reasons previously stated, the CED Manager did go through the same conflict of interest process as the other evaluators. For enhanced clarity, the PMO has updated the SOP, and the evaluation panel memos for this procurement type now will include the CED Manager or other SME's, as applicable. Evaluation panel memos were updated in March 2020 and have included SMEs since that time, as applicable.	**Build LACCD (PMO)**

APPENDIX B - LIST OF ACRONYMS

Acronym	Definition
ACH	Automated payment, automated clearing house
AECOM	AECOM Technical Services, Inc.
AICPA	American Institute of Certified Public Accountants
BOT or Board	Board of Trustees
BuildLACCD	Los Angeles Community College District Program Management Office, a blended program management team consisting of AECOM or Jacobs (after October 15, 2017), other consultants, and members of the District.
CFE	Chief Facilities Executive
CAGE	Cost Account Generator Engine
CO	Change Order
COI	Conflict of Interest
COP	Change Order Proposal
COR	Change Order Request
CPD	College Project Director
CPT	College Project Team
DSA	Division of the State Architect
FCE	Fair Cost Estimate
FO	Field Order
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
JACOBS	Program Manager or Jacobs Project Management Co.
JOC	Job Order Contract
KPI	Key Performance Indicators
KPMG	KPMG LLP
LACCD or District	Los Angeles Community College District
MATOC	Master Agreement Task Order
PMA	Program Management Administration
PMO	Program Manager or Program Management Office
PMIS	Program Management Information System
QA/QC	Quality Assurance/Quality Control
RACI	key responsibilities: responsible, accountable, consulted, and informed
RPD	Regional Program Directors
RFP	Request for Proposal
RMT	PMO Risk Management Team
SEP	Strategic Execution Plan
SOP or SOPs	Standard Operating Procedures

APPENDIX C - SUMMARY AND STATUS OF 2018-19 OBSERVATIONS AND RECOMMENDATIONS
(Management's response provided by BuildLACCD)

Prior Observation and Recommendations	Status Update
1. Cost Forecasting • The requirements for documentation and review of budget adjustment efforts are not clearly explained in the Standard Operating Procedures. (Low) **Recommendation 1:** The PMO should update sections in PMA 5.0 - Budget and Cost Management – Revision 6 dated October 26, Section 5.12.4.2 – Pre-Construction and Section 5.8 – Budget Transfers specifying all documents required to support project budget adjustment efforts. In addition, the SOP should outline the process of documenting any reviews that currently take place in PMIS and P6 so that they are documented before they are overwritten.	**Management's November 2020 Update:** CLOSED. The SOP was updated January 2020 and communicated to PMO and CPTs. Verified by BDO.

2. Cost Forecasting	**Management's November 2020 Update:**
• Budget transfer forms were not consistently signed by the RPD as required. However, the RPD signature requirement is duplicative and does not represent a meaningful control. (Low) **Recommendation 2:** The PMO should update the *SOPs* to limit the number of required signatures on the budget transfer form, including the RPD, in order to better align the *SOPs* with the intended approval process.	CLOSED. January 2020, SOP complete and issued, including the associated form referenced in the SOP. Verified by BDO. .

3. Scheduling	
• The CPTs did not consistently include sufficient information for delays and mitigation action plans on a monthly basis in their schedule variance reports, as required. (Medium) **Recommendation 3:** The PMO should enforce the current SOP requirements with the CPTs and also clarify documentation requirements in the *SOPs*. All monthly variance reports prepared by CPTs should include a narrative, "Reasons for Variance" providing context to the current month's update, along with a "Recovery / Corrective Action" plan, as required by the *SOPs*, to support and monitor schedule changes and cost impacts.	**Management's November 2020 Update:** CLOSED. January 2020, SOP complete and issued. BDO observed the communication of SOP change to leadership at the February 2020 roundtable including what changed, why it is important, and what CPTs have to do to comply. Verified by BDO.

4. Scheduling • Project documentation for four projects contained errors in reported substantial completion (SC) dates. (Low) **Recommendation 4:** The PMO should add additional quality assurance steps in the *SOPs* for the validation of data within its various reports to improve accuracy of data input. Additionally, personnel should be trained on these new steps and lessons learned.	 CLOSED. QA steps and training were performed at the February 6, 2020 scheduling staff meeting. BDO observed the staff meeting covered the additional steps to be taken by scheduling team to validate accuracy of revised milestones in P6. Verified by BDO.
5. Project Closeout • Lessons learned are not consistently captured or archived in accordance with SOP requirements. (Low) **Recommendation 5:** The Project Closeout SOP should be revised to require that the lessons learned form be submitted at the substantial completion milestone rather than at final completion. Additionally, the PMO should consider who participates in the review of the lessons learned, and how it is archived as part of the project and Program historical records.	 CLOSED. November 2019, the Project Closeout SOP was updated, communicated to PMO and CPTs and discussed in the Bond Program Update and December 2019 Roundtable meetings. Verified by BDO.