

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

Fiscal Year Ended June 30, 2023

December 13, 2023

KPMG LLP
550 South Hope Street
Suite 1500
Los Angeles, CA 90071
(213) 972 4000

December 13, 2023

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 focused on areas covered under the bond program during the period of July 31, 2022, through June 30, 2023, 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.

<not for issuance, pending BOT acceptance>

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for BOT acceptance

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). The audit period was July 1, 2022, through June 30, 2023.

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. In addition, performance audits seek to assess the effectiveness, economy, and efficiency of the bond program.

The objective of this performance audit was to evaluate 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 audited aggregate bond expenditures were \$291,137,690 for the fiscal year ended June 30, 2023.

Scope

The bond performance audit uses objective analysis to compare the current condition (what is) against stated criteria (what should be). The annual audit 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 assess and compare program performance. During the current audit period, significant revisions to the SOPs took place with the intent to simplify and increase efficiency and effectiveness of program processes.

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

- **Overhead Cost Management** – KPMG assessed activities associated with the planning, forecasting and management of the bond program's overhead costs, including the Program Management Office's (PMO) analysis of variances, if any, in overhead costs compared to actual charges and "burn rate." We also evaluated compliance with SOPs that were relevant overhead management.
- **Contingency Management** – KPMG assessed contingency management and usage activities that included the initial establishment of project contingency amounts, approval, and justification of drawdowns from contingency categories (including Owner's contingency), the reduction of contingency to reflect project risks and return of unused contingency, if any. We also evaluated compliance with SOPs relevant to contingency management.
- **Change Order Management (or "Change Management")** – KPMG assessed the College Project Team (CPT) compliance with SOPs relevant to the management of change orders (CO) from their initiation through execution. We evaluated the justification for change, pricing, and approval of proposals with a focus on the completeness of supporting documentation.
- **Project Scoping and Initial Budgeting (or "Scope and Budget")** – KPMG assessed compliance with SOPs relevant to the establishment of initial project scope and budget during the audit

period, as was applicable. We evaluated documentation of assumptions, justification for changes, if any, in scope and budget, the PMO's analysis of bid overruns (to understand discrepancies in budget estimates relative to actual market conditions), processes in place to incorporate current market conditions and cost drivers for revising project budgets to be "up to date."

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 controls that are significant within the context of the audit objectives and based upon the audit work performed.

Audit Summary

Based on our audit work performed, we did not identify any significant control deficiencies within the context of the audit, and we did not identify any high priority audit observations. Additionally, we did not identify any significant¹ charges to the bond program that did not conform to the requirements of Proposition A, Proposition AA, Measure J and Measure CC. Based on our audit scope this year, we made observations where we identified opportunities for improvements related to the SOPs and compliance with PMO policies and procedures.

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.

All observations related to improving the SOPs and compliance activities are **low priority** observations. There are no medium or high priority observations for this audit period. All recommendations have been addressed by management.

Observations 1 - Some activities are not consistently in compliance with existing SOP requirements. These include the following areas:

- 1A. [Contingency Management] The College Project Team (CPT) memos within budget transfer requests do not consistently include sufficient justification and support to utilize contingencies.
- 1B. [Change Management] CO and Change Order Requests (CORs) do not consistently include complete supporting documentation, as required by the SOPs.
- 1C. [Change Management] The time required for CPTs to intake, review, and process CORs exceeds the time limit permitted within SOPs and leading practices.
- 1D. [Scope and Budget/Contingency Management] The SOP requirements related to the CPT development of scope, budget and schedule included within white papers are not consistently followed.

Observation 2 - Existing SOPs may not be sufficient to support current bond program activities. These include the following areas:

- 2A. [Contingency Management] There is limited evidence that CPTs are consistently performing a review of contingency at project milestones.
- 2B. [Change Management] The updated version of SOPs does not include an exemption for completing Proposed Board Action (PBA) related to Pre-Qualified Service Provider (PQSP) contracts, which does not align with current practices.
- 2C. [Change Management] The current level of information included with CPT change logs is not always consistent with leading practices.
- 2D. [Change Management] The current SOPs do not limit the time permitted for CPTs to incorporate CORs within COs and for PMO review and approval.
- 2E. [Change Management] There are currently no SOP requirements tailored to support the development of white papers and project budgets for 40J overhead accounts.
- 2F. [Overhead Management] There is an opportunity to update and consolidate existing white paper templates to better align with requirements included within the revised SOPs.

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 LACCD 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 \$9.03 billion from the inception of the bond program. Approximately \$3.17 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 \$3.17 billion in funds remaining, \$2.8 billion represent Measure CC funds.

Total aggregate bond expenditures (audited) were \$291,137,690 during the fiscal year ended June 30, 2023; \$879,852 (Proposition A), \$824,824 (Proposition AA), \$98,312,631 (Measure J) and \$191,120,383 (Measure CC)

BuildLACCD's function is to facilitate the delivery of projects under the bond program. BuildLACCD manages these voter-approved bond funds to modernize and renovate the nine colleges of the District. The types of projects include new and renovated academic buildings and laboratories, libraries, sports facilities, arts complexes, administrative buildings, child development centers, parking structures, central energy plants and renewable energy projects.

BuildLACCD and the Project Management Office

BuildLACCD consists of 255 positions as of June 30, 2023, 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).

College Project Team

Each college location has a CPT in place. The CPTs are responsible for performing services to oversee college master planning, environmental impact studies, programming, design, construction, project 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

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 Directors (RPD) in 2017 as part of

Jacobs' transition and commitment to improve communications. The RPD's role is to assist 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.

Standard Operating Procedures

A bond program of the size and complexity like LACCD's, requires an adequate PMO internal control structure in place. PMO 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 included with the PMO's SOPs.

Over the years, we have noted improvements in the District SOPs. The District and PMO have continued efforts to revise and update SOPs based on current in-practice procedures or changes to project requirements, which in itself is a leading practice. During the current audit period, the PMO conducted a comprehensive review and update of the SOPs in an effort to simplify procedures, be less prescriptive and increase efficiency and effectiveness of bond program related activities.

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 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, 2023, was performed during the period of June 14, 2023, 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 and validate 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. Overhead Cost Management

Our audit objective related to overhead management included an assessment of the bond program overhead costs on a sample basis that focused on the management of and underlining support for the bond program's overhead costs. We audited a sample of ten (10) projects across various 40J accounts and colleges during the audit period.

Our audit procedures included the following:

- Interviewed key bond program personnel with specific knowledge related to overhead management for the selected samples
- Evaluated the LACCD bond program SOPs:
 - i. Budget and Cost Management, Program Management Administration (PMA) 5.0, Revision No. 11

- ii. Budget and Cost Management, Controls 1, Revision 2,
 - iii. Estimating, PMA 14.0, Revision 3,
 - iv. Estimating, Controls 2, Revision 1,
 - v. Scheduling Management, PMA 6.0, Revision 6
 - vi. Scheduling, Controls 3, Revision 1
 - vii. Document Controls (DC) management Plan, PMA 4.0, Revision 4
 - viii. DC Management Plan, Document Controls 1, Revision 1
- Verified that a Form PMA-0444 or equivalent was provided, is complete and the information is accurate based on documentation included and/or referenced
 - Verified that a Project Estimate Worksheet (PEW) or an equivalent was provided and includes sufficient breakdown of 'hard' and 'soft' costs with support documentation
 - Verified a Rough Order of Magnitude (ROM) or equivalent was provided and includes sufficient detail with a Basis of Estimate (BOE) (i.e., methodologies, assumptions, exclusions)
 - Verified a schedule or an equivalent was provided and includes sufficient detail with cost or resource loaded information to support forecasting and burn rate projections
 - Verified the white paper was reviewed and approved consistent with requirements of the SOP and contains all necessary approvals at the PMO level in the correct order
 - If re-baseline required, verified that an Anticipated Cost Report (ACR) from Project Management Information System (PMIS) was provided and budgets amounts align with amounts within white paper
 - Verified that the appropriate standard cost estimating format was utilized by the PMO estimator based upon the project phase indicated in the white paper
 - Verified the PMO estimator reviewed the estimate and utilized an Estimate Review Checklist (ERC) or equivalent to validate accuracy, quality, and completeness of estimate
 - Verified that PMO scheduler is providing an Earned Value Report (EVR) or equivalent that reports on progress and forecast metrics to support monthly review meetings
 - Verified the cash flow projections are generated for project or program level expenditures monthly; included within month-to-month variance reports
 - Verified that an Estimate-at-Completion (EAC) is generated each month to validate the current budget is sufficient, if negative - that recovery actions are documented
 - Verified the PMO utilized the integrated budget and cost management system (PMIS) to maintain information related to the project life cycle, cost and funding and general ledger account are being tracked
 - Verified the PMO utilized Proliance and DocView to store, maintain and share the documentation associated with scope, schedule, and budget as well as routing meeting minutes or negotiations memos related to projects
 - Verified the PMO utilized the required Electronic Filing System (EFS) and Master File Archive Index (MFI) structure, or coordinate with CPTs to maintain documentation per requirements.

2. Contingency Management

Our audit objective related to contingency management included an assessment of the management and usage activities of project contingencies on a sample basis from its' initial establishment through return or reduction to reflect a project's risks. We audited a sample of twelve (12) projects across various colleges and project stages during the audit period.

Our audit procedures included the following:

- a) Interviewed key bond program personnel with specific knowledge related to contingency

- management for the selected samples
- b) Evaluated the LACCD bond program SOPs:
 - i. Budget and Cost Management, PMA 5.0, Revision No. 11
 - ii. Budget and Cost Management, Controls 1, Revision 2,
 - iii. Estimating, PMA 14.0, Revision 3,
 - iv. Estimating, Controls 2, Revision 1,
 - v. Construction Management, CP 1.0, Revision 10
 - vi. Construction, Construction 1, Revision 2
 - c) Verified the established design contingency is within the “standard” range between 5-10% of the A/E Design Fee as required within the PEW
 - d) If the project has reached the construction phase, verified design contingency has been reduced to \$0 or the CPT is providing evidence it is being reduced as design risks (unknowns) are mitigated
 - e) Verified the established construction contingency is within “standard” range between 5-15% of the base construction costs as required within the PEW
 - f) Verified both the design and construction contingencies are utilized consistent with Section 3.1 of the SOP – Estimating, Controls 2 Rev. 1 (example: design errors, unforeseen conditions)
 - g) Verified evidence of the CPT and PMO performing contingency analysis and validated an EAC is generated monthly to ensure sufficient budget (based on percent complete, outstanding changes)
 - h) If there were negative EAC variances or contingency overruns, verified the CPT and Director of Construction identified a recovery plan or escalated Deputy Project Manager (DPM) to access Owner’s Reserve
 - i) Verified if CPTs are reviewing project contingencies (i.e., design, construction) at key project milestones (example: 70% physical completion) to identify underruns, if any.
 - j) If underruns were identified, verified that contingency is released by CPTs back to the wwner reserve if no there is no outstanding change orders or potential risks that require contingency.
 - k) Verified that budget transfers are processed and managed in accordance with Section 4.0 of the SOP – Budget and Cost Management, Controls 1, Rev 1 (i.e., memorandum or white paper)
 - l) If the budget transfer is due to a bond program re-baseline, verified submitted a white paper and included sufficient supporting documentation.
 - m) Verified the CPT submitted a PEW that is complete and accurate as part of the budget transfer whether the project required a re-baselining
 - n) Verified that any transfer of contingencies to a “soft cost” budget have justification (e-mail or memorandum) to the Project Manager (PM) or DPM to request a transfer of funds
 - o) Verified the budget transfer forms include justification that explains the purpose of the budget transfer and includes sufficient supporting documentation with the required approvals
 - p) Verified whether the budget transfer form was created to reallocate funds and such fund were between projects, cost line items or phases, not between bond program funds
 - q) If Owner Controlled Contractor Contingency (OCCC) was utilized, verified it was consistent with the requirements of Section 9.3.7 of the SOPs (i.e., Forms CP-0270, 0320, 0181 with approvals)
 - r) If District Controlled Project Contingency (DCPC) was utilized, verified that funds were authorized through the CO process and contract sum remains unchanged

3. Change Order Management

Our audit objective related to change management included an assessment of CPT compliance with SOPs on a sample basis that focused on both the PMO and CPT management activities from initiation through execution. We audited a sample of twenty (20) COs and an additional sub-selection of twenty (20) associated CORs across various colleges during the audit period.

Our audit procedures included the following:

- a) Interviewed key bond program personnel with specific knowledge related to change management for the selected samples
- b) Evaluated the LACCD bond program SOPs:
 - a. Budget and Cost Management, PMA 5.0, Revision No. 11
 - b. Budget and Cost Management, Controls 1, Revision 2,
 - c. Estimating, PMA 14.0, Revision 3,
 - d. Estimating, Controls 2, Revision 1,
 - e. Construction Management, CP 1.0, Revision 10
 - f. Construction, Construction 1, Revision 2
- c) Verified that both COs and CORs included reference to the required classification code(s) and the code was consistent with the basis for the change
- d) Verified required documents were prepared consistent with Section 9.2 of the SOP – Construction, Construction 1, Rev. 2 that requires Checklist Form CP-0326 be complete, accurate and timely
- e) Verified that additional forms required to be submitted consistent with CP-0326 were included as part of the COR package (example: CP-0270 COR, CP-0254 Notice of Delay, CP0271 FCE)
- f) Dependent upon if project delivery type is Design Build/Lease Leaseback (DB/LLB) or Design-Bid-Build (DBB), verified that Form CP-0260/62 or CP-0261/63, respectively, were complete and submitted to PMO within 15-days of CPT execution.
- g) If project received state funds, verified that the project scope remained unchanged consistent with prior state agency approvals and the CPT submitted Form CP-0358 to document confirmation
- h) If not utilizing DCPC for the CO, verified a draft Proposed Board Action (PBA) was submitted to PMO communications and submitted to the Board of Trustees (BOT) to request formal action
- i) Verified that CPT attained PMO and District approval for CO prior to the awarding a contract or issuing an amendment
- j) If CO package included multiple CORs, verified that a Memorandum of Record is provided, placed at the beginning, and accurately summarized all CORs contained within the CO
- k) Verified that CPT included Form CP—0325 Change Order Processing Checklist to confirm that all documents necessary for approval of the CO were prepared and included in the CO package
- l) Verified that PMO entered information related to COR approvals into the PMIS within two (2) working dates of receipt with the minimum inputs
- m) Verified that CPT and PMO Change Management Logs include the minimum inputs required consistent with Section 9.4.1 of SOP – Construction, Construction 1, Rev. 2
- n) Verified that Supplemental Job Order Contract (SJOC) included Form IPMA-0102 with the minimum required support documentation (example: Request for Proposal (RFP), proposal, record of review)
- o) Verified that the third-party vendor completed the solicitation, review, and approval cycle for SJOC within required 23-days of issuing an RFP upon generation of Form IPMA-0102.

4. Project Scope and Initial Budgeting

Our audit objective related to scope and initial budget included an assessment of CPT compliance with SOPs on a sample basis that focused on the management of activities associated with the development and documentation of scope, budget, and schedule for new or re-baselined projects. We audited a sample of five (5) projects across various colleges during the audit period for compliance.

Our audit procedures included the following:

- a) Interviewed key bond program personnel with specific knowledge related to change management for the selected samples
- b) Evaluated the LACCD bond program SOPs:

- a. Budget and Cost Management, PMA 5.0, Revision No. 11
 - b. Budget and Cost Management, Controls 1, Revision 2,
 - c. Estimating, PMA 14.0, Revision 3,
 - d. Estimating, Controls 2, Revision 1,
 - e. Scheduling Management, PMA 6.0, Revision 6
 - f. Scheduling, Controls 3, Revision 1
 - g. DC management Plan, PMA 4.0, Revision 4
 - h. DC Management Plan, Document Controls 1, Revision 1
- c) Verified that a Form PMA-0444 or equivalent was provided, is complete and the information is accurate based on documentation included and/or referenced
 - d) Verified that the category of budget is clearly identified as either 'college-level project' or 'central services and district-wide (40J)
 - e) Verified whether the Facilities Master Plan (FMP) required revisions or additions based on the proposed project or if it was included within the existing FMP
 - f) Verified if the proposed project is included within the approved bond project list and scope was developed in alignment with the campus-wide strategy
 - g) Verified the CPT developed a project plan consistent with the requirements that are included for Design Development, Planning Phase
 - h) Verified the CPT project plan included the development and submittal of a college wide cost model and project schedule (or update)
 - i) Verified the CPT assisted with the selection of the project delivery method and development of the project initiation process
 - j) If the project budget is \$5M+, verified the CPD prepared a submittal package with DES-0011-A DB Facilities Master Planning and Oversight Committee (FMPOC) Meeting Submittal Form, PPT presentation and supporting documentation and approvals from FMPOC
 - k) Verified the CPT provided a preliminary design schedule that includes major milestones target dates for processes from planning and programming through project closeout.
 - l) Verified the CPD reviewed and approved the preliminary design schedule; the PMO Program Scheduler incorporated into the master schedule.
 - m) Verified a White Paper package was prepared for the project budget baseline and includes the minimum required documentation and forms (PEW, ROM, and schedule baseline)
 - n) Verified that the appropriate standard cost estimating format was utilized by the PMO/CPT estimating team based upon the project phase indicated in the white paper.
 - o) Verified that the PEW included sufficient detail that provides a complete breakdown of 'hard' and 'soft' costs associated with architect/engineer (A/E) and construction scope, as applicable.
 - p) Verified that industry percentage ranges referenced within the PEW for 'soft' costs aligned with the pre-determined categories, percentage ranges and were calculated accurately.
 - q) Verified the ROM includes sufficient detail with a basis of estimate (i.e., methodologies, assumptions, exclusions), supporting documentation and were calculated consistent with PEW.
 - r) Verified the ROM was prepared by the planning/programming A/E and validated by the PMO estimator if a district wide project or CPT if College Level Project.
 - s) If a college level project, verified if the CPT utilized the initial project budget projection tool to estimate soft costs and total costs.
 - t) Verified that the new project/name change/financial ID/budget establishment request (Form PMA-0044) and all data fields are complete, and attachments are included
 - u) Verified that the white paper was reviewed and approved consistent with the requirements of the SOP and contains all necessary approvals at the CPT level in the correct order.
 - v) Verified that the white paper was reviewed and approved consistent with the requirements for the SOP and contains all necessary approvals at the PMO level in the correct order.
 - w) Verified that the white paper for project re-baselining was completed at the major milestones that are required respective to the project delivery method

- x) Verified that the white paper package included all required documentation (i.e., updated PEW, schedule, design-programming criteria report, construction bid)
- y) Verified that the Project Budget Transfer Form has been completed, including approved white paper and Form-0044 with backup documentation explaining the purpose and justification for the transfer, if applicable.
- z) Verified that the white paper for re-baselining was reviewed and approved consistent with the requirements of the SOP and contains required approvals at the CPT level in the correct order.
- aa) Verified that the white paper for re-baselining was reviewed and approved consistent with the requirements for the SOP and contains required approvals at the PMO level in the correct order.

for BOT acceptance

AUDIT RESULTS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

The PMO has a commitment to continuously improve the SOPs. In line with this commitment, we noted certain areas of SOPs where the district can benefit from making updates.

1. Some activities are not consistently performed in compliance with existing SOP requirements.

1A. [Contingency Management] The CPT memos within budget transfer requests do not consistently include sufficient justification and support to utilize contingencies.

Cause: The current SOP requirements to support intra-project budget transfers are unclear and do not provide guidance related to the contents of the memo expected from CPTs to justify transfers.

Criteria: Budget and Cost Management - Controls 1, Rev. 2 SOP, Section 4 – Contingency Management of the SOPs requires CPT requests to transfer contingency funds be submitted via written correspondence and include sufficient justification to identify whether the funds are no longer required for the design and/or project phase and can be reallocated to offset soft\ cost overruns.

“Any transfer of contingency to a soft cost bucket requires brief justification in an email or memo to the PM or DPM to request the transfer of funds to a soft cost bucket. Upon their approval, the CPT cost analyst can prepare budget transfer to reallocate those funds and adjust their EAC.”

For reference, project budgets associated with soft costs include services, escalation, contingencies, and other categories related to design and project management support. Soft costs are estimated based on percentage ranges as a function of construction hard costs consistent with Estimating – Controls 2, Rev. 1 SOP, Section 1 – Soft Costs Estimate.

In addition to the above requirements, all budget transfers are required to include a PEW as part of the supporting documentation in alignment with Budget and Cost Management - Controls 1, Rev. 2 SOP, Section 5 – Budget Transfer:

“Budget transfers may either be inter-project or intra-project transfers. Both types of transfers must be accompanied by a memo explaining the purpose and justification of the budget transfer, with supporting backups such as contracts, task orders, PBAs, vendor quotes, or estimates “In addition, the PMO/CPTs must complete a PEW that guides project budget whether the project budget requires re-baselining.”

Condition: Eight (8) of twelve (12) budget intra-project transfer samples (or \$2,531,141 out of \$8,769,583) did not include sufficient documentation to demonstrate that the CPT cost analyst performed an analysis of contingency at the standard design and construction project milestones to determine if sufficient contingency was available to account for overruns (or underruns) that necessitated the intra-project budget transfer.

- Eight (8) samples did not include or reference sufficient supporting backups such as contracts, task orders, PBAs, vendor quotes, or estimates to substantiate the amount requested as part of the budget transfer.
- In addition, two (2) of the eight (8) samples above did not include a narrative explanation in the accompanying budget transfer memo that explained the purpose and justification of the budget transfer.

The PMO disclosed that CPTs are required to include a PEW or equivalent only with inter-project transfers, however, there is no such exception included in the current SOPs.

Effect: Insufficient documentation provided by CPTs to support intra-project budget transfers to account for project budget overruns results in delays and inconsistent decision making at project and program management level.

Recommendation: The PMO should consider updating the current SOP requirements for intra-project budget transfers to provide clarification to CPTs on the criteria and minimum documentation required to support utilization of contingency or any other available funds. As a better practice, any justification for changes to soft costs budgets should include a costs analysis with a basis for estimate to support budget transfer.

Management Response: In July 2023, prior to the audit, the PMO implemented an additional review requirement for all intra-project budget transfers. Effective October 13, 2023, the PMO updated and issued the SOP to clarify budget transfer justification memo requirement; in addition, on October 9, 2023 and November 8, 2023, the PMO scheduled workshops with CPTs to reinforce SOP's current and updated requirements.

1B. [Change Management] COs and CORs do not consistently include complete supporting documentation, as required by the SOPs.

Cause: The CPTs may not fully understand how to include sufficient information and documentation within COR packages at the time of submittal for reviewers to validate the proposed changes in project scope, cost and/or schedule. In addition, the CO and COR checklists may include insufficient selection alternatives and/or the CPTs are not aware of how to correctly fill out the forms.

Criteria: Construction – Construction 1, Rev. 2 SOP, Section(s) 9.3.3 & 9.3.4.1 - COR and CO Process Forms of the SOPs include instructions for CPTs to complete Forms CP-0325/0326 and select appropriate 'checklist' items based on a set of standard options.

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

The checklists include requirements for the CPT and contractor teams to provide as a form to facilitate the review and documentation of requests that effect the scope, budget and/or schedule. Dependent upon the COR, there are several forms required – however, the following a key:

Initiating Documents(s), as applicable:

- 1.1 Request for Information: Form CP-0100 (Include A/E response)
- 1.2 Owner Initiated Scope Change Directive Form: CP-0252
- 1.3 Construction Field Order Form: CP-0330
- 1.4 Supplemental Instructions Form: CP-0480
- 1.5 DSA 140 Application for Submittal of Post-Approval Document: *If applicable, specify Submittal Type
- 1.6 Design Consultant's Field Report Form: CP-0490

Required Documents for all CORs, as applicable:

- COR: CP-0270-A & Change Order Request - Detail (Estimate): CP-0270-B
Notice of Change/Delay (NOC/NOD): CP-0254 (0 N/A - Not provided to CPT by contractor)
CO Proposal: CP-0250 (0 N/A - Not provided to contractor by CPT)
Record of Negotiation Form: CP-0320

All supporting documentation must be included as part of the COR package and made available for the reviewers when a CO is submitted to the PMO to request approval. The documentation, at minimum, should align to requirements included in the applicable forms or contractual terms that govern the project.

“CO Processing Checklist: CPT prepares and signs Form CP-0325 to record that all documents necessary for approval of the CO have been prepared and are included in the CO package.”

Condition: Five (5) of 20 CO samples and three (3) of 23 COR samples from each of those CORs were incomplete due to the following:

- Five (5) CO/COR samples were missing supporting documentation that included one or more of the following required documents and forms:
 - One (1) CP-0330 (COR)
 - One (1) Fair Cost Estimate (required for CORs over \$5000)
 - One (1) CP-0325(CO)
 - One (1) CP-0683 (CO)
 - One (1) Board approval (CO)
 - One (1) NOC/NOD (referenced by COR but not included)

Subsequent to our audit, the PMO was able to provide all but two of the documents. However, there were still variances between the date indicated on the original COR package and the documentation provided by the PMO. There is no evidence that the documentation was reviewed at the time the CO/COR packages were approved.

- Six (6) CO checklists did not include selections or notations of ‘not applicable’ on Form CP-0328
- Three (3) COR samples did not have an initiating document selected on the COR Checklist. Two (2) of those instead included a copy of email correspondence as initiation of the change, and one (1) did not include any documentation prior to the proposal from the Contractor indicating how the change was initiated.
- Nine (9) COR checklists left one or more mandatory checkboxes blank. The purpose of the checkboxes is to indicate applicable (or not applicable) documentation included with the COR. The checkboxes not marked properly include:
 - Five (5) NOC/NOD
 - Two (2) CO Proposals
 - Seven (6) Labor Wage Rate
 - Two (2) Time and Materials
 - Four (4) Schedule Fragnets
 - One (1) Scope Change Reason Code
 - One (1) Owner Initiated Document

Effect: If information provided by CPTs is inconsistent and/or missing from the CO/COR packages the personnel reviewing may not be able to complete an accurate review of the proposed changes.

Recommendation: The PMO should consider performing an additional review of the COR requirements included within associated forms that CPTs are instructed to utilize to ensure consistency between requirements of the SOPs and those provided within the forms. In addition, the PMO and CPDs should consider reviewing these inconsistent practices with CPT Teams and to discuss current SOP requirements and PMO expectations to related to filling out the CO/COR checklists.

Management Response: PMO formalized and updated the SOP and Forms CP-0326- Change Order Processing Checklist and CP-0325 Change Order Request checklist. These updates were completed and issued to the BuildLACCD Program on October 27, 2023. In addition, the PMO reinforced current and updated requirements at the Roundtable meeting on October 9, 2023.

1C. [Change Management] The time required for CPTs to intake, review, and process CORs exceeds the time limit permitted within SOPs and leading practices.

1C-1 The time from a change initiation to a contractor produced COR on some occasions exceeds 50 days.

Cause: The requirements within the SOPs to process CORs from their initiation through review and approval at the CPT level are not always well defined with specific time period requirements or targets in the SOPs.

Criteria: Construction – Construction 1, Rev. 2 SOP, Section 7 - Requests for Information (RFI), the SOPs stipulate that from the date of incident or awareness of an RFI, the Contractor has seven (7) days to respond and provide notification if the RFI results in changes to original scope, cost, and schedule.

“After the Architect of Record (AOR) and PI review, and within 24 hours of receiving the RFI back from the AOR and PI, the CPT forwards the response to the contractor.

If the response is related to access, fire or life safety, or a structural change, the AOR will note that this change will be submitted to Division of the State Architect (DSA) for review and approval via a construction change directive (CCD).

Per the General Conditions included within Contracts of sampled projects, the contractor has seven (7) days to respond with a NOC and/or NOD from the date of discovery (i.e., initiated) and to submit a subsequent COR within 14 days of the NOC and/or NOD:

“A timely and complete NOC and/or NOD is required to be submitted to the CPD in the proper form prior to commencement of the Work. The NOC is to be submitted no later than five (5) days after the discovery date of such circumstance, and a NOD must be submitted within seven (7) days of the discovery date.

The general conditions also provides that a separate written COR (Form 0270) shall be furnished to the CPD with the proper form and content within fourteen (14) days after receipt by the CPD of the NOC and/or NOD.”

In summary, the Contractor has a maximum of 21-days from the date of discovery (i.e., initiated) to submit a COR. For samples that included RFIs as the initiating document, the date of discovery (i.e., initiated) was based on the RFI closure date included within Form CP-0100.

Additional requirements related to change notifications are stipulated within COR Initiation Forms included as part of the COR checklists, and terms within contract agreements that take precedent over requirements that are included by the PMO within the SOPs.

“In the event of a conflict between this SOP and the contract documents for the project or government contracting code, the contract document’s relevant language or government contract code will prevail.”

Condition: Of 20 sampled CORs, 12 of the CORs were initiated (based on initiation forms) more than 50 days before the COR was issued. These CORs did not involve DSA approval, which is known to significantly delay the COR process, nor did they include documentation that explained the extended duration of the COR review and processing. Impacted CORs include the following initiation documents and timelines from initiation to COR issuance:

- Four (4) RFI Form CP-0100, between 83-860 days before COR
- One (1) Owner Initiated Scope Change Directive Form: CP-0252, 99+ days before a COR
- Six (6) Construction Field Order Form: CP-0330, between 52-373 days before a COR

One (1) additional sample with an initiating document that did not fall into one (1) of the six (6) initiating document types stated in the SOPs. Instead, a CO Proposal Form CP-0250 was the initiating document for this COR, filled out by the PMO. It took 98 days before a COR was issued.

Effect: Although some lengthy COR process times may be warranted, any excessive COR processing times can result in added costs and schedule delays for the project that are not always known to the CPT, PMO and District.

Recommendation: PMO should consider reviewing the existing SOP requirements to determine if the various critical processing times in the COR cycle are adequately defined and measured. In addition, the SOPs and the Contractor contracts should be revised to include additional time or CPT Teams should be required to enforce the existing contractual requirements and document if Contractors request additional time.

Management Response: Effective November 3, 2023, the PMO updated the SOP and developed a change management log review process and associated escalation measures to enhance monitoring of COR processing time. The Change Management Log Review process was communicated to the CPTs on November 2, 2023.

1C-2 Time between proposal submittal and review of Job Order Contracts (JOC) changes exceeds the duration outlined in the SOPs.

Cause: The SOPs reference that requirements relating to the JOC program are provided, maintained, and enforced by a third-party (i.e., vendor) provider with limited PMO involvement or oversight of day-to-day activities.

Criteria: The JOC requirements for processing supplements (i.e., changes) are referenced within a separate document maintained outside the current SOPs that provides the following guidance on a process that should take no more than 22 days.

Step 1: RFP is issued to the contractor; proposals are typically due in a shorter time limit, within 7 days.
Step 2: Vendor reviews proposals and submits to LACCD PM for approval; approximately 3 to 5 days
Step 3: Job order approval documents are issued to the contractor and LACCD PM for signature.
Step 4: Job order approval documents are submitted to the contracts department or Sr. Administrative Analyst to obtain District signature.
Step 5: LACCD PM initiates the PMIS workflow for both the Contractor and the vendor fee currently.
Steps 3-5: Approximately 7 to 10 Days”

Condition: Of 20 sampled CORs, there were three (3) JOC Supplements. Of those three (3), one (1) exceeded the maximum timeline of 23 days.

Effect: Without review and approval of JOC supplements in a timely manner can cause delays that result in increased cost and schedule risk exposure for the project.

Recommendation: PMO should consider whether the current 23-day processing period is reasonable. If not, the JOC vendor should revise the process to include additional time. Otherwise, the PMO should incorporate additional process controls within the SOPs to enforce the existing requirement for the vendor to process JOC Supplements within the agreed upon timeframe.

Management Response: The JOC program is being managed by a third-party consultant who is required to track compliance with the CO process. The PMO went through a procurement process to re-compete the JOC management services. A new firm has been selected, and board approval occurred on November 8, 2023. The PMO will be working with the new firm to reinforce CO timeline requirements.

1D. [Scope and Budget/Contingency Management] The SOP requirements related to the CPT development of scope, budget and schedule included within white papers are not consistently followed.

1D-1 PEWs and ROM estimates are at times missing relevant information, do not consistently provide sufficient support for proposed hard and soft costs categories, or sometimes include calculations outside SOP requirements.

Cause: CPTs do not fully utilize ROMs or PEWs the templates provided by the PMO, which include pre-established guidelines for hard costs and soft costs.

Criteria: The Budget and Cost Estimating, Controls 1 – Rev 2 SOP, Section 3 – Project Budget Baseline Development requires CPTs utilize an ‘initial project budget projection tool’ provided in the form of a PEW and ROM template to develop project estimates.

ROM templates include standardized cost categories with pre-defined unit prices to estimate hard costs (or the construction baseline) and is incorporated within the PEWs that include established ranges to calculate soft costs (both design and project management) as a percentage of hard costs.

As a standard practice, CPT estimates are required to complete estimates utilizing the templates and meet criteria outlined within the estimate review checklist that is referenced in Estimating, Controls 2 – Rev 1, SOP Section 6 – Estimate Review and Validation and utilized by PMO estimators to validate estimates are complete and accurate.

Condition: For all of the five (5) sampled projects, ROMs and PEWs were not completed consistent with the budget and estimating process required by the SOPs. The sampled project included one (1) or more of the following deviations:

- ROMs did not utilize the standard cost estimating format established by the PMO estimating team (Project Type or Space-Type); unit prices and other data fields were not populated.
- ROMs were missing BOEs; no clear description of assumptions, inclusions, exclusions, or methodologies.
- PEWs included percentages for soft costs that were outside the standard ranges provided by the PMO with insufficient support or documentation of approval for exceptions.
- PEWs included data fields that were either missing and/or included inaccurate calculations.

When ROMs for hard costs are unsupported, there is a compounding effect on the calculation of soft costs, which are calculated as a percentage of hard costs.

Effect: CPTs may not be consistently providing the PMO with accurate information to facilitate a data-driven decision to establish both budget and risk profiles for proposed projects. Unsupported ROMs or PEWs can result in inaccurate project budget estimates.

Recommendation: The PMO should consider: (a) providing job aids or an equivalent as an example to CPTs and reinforce PMO expectations for completing the ROM/PEW consistent with existing SOP requirements and/or (b) update the ROM/PEW templates to change or remove data fields that are no longer required or relevant to the estimating process.

Management Response: PMO held a workshop on October 18, 2023, to reinforce ROM and PEW data field requirements and reiterated the expectations already defined within the SOP and provided work tools.

1D-2 Schedule baseline and schedule milestones included with white papers were at times missing sufficient detail.

Cause: Existing SOP requirements do not detail expectations of CPTs to document key milestones and schedule information, resulting in CPTs misinterpretation of documentation requirements and leading to insufficient and inconsistent CPT documentation of key milestones.

Criteria: The Scheduling, Controls 3 – Rev 1 SOP, Section 3 – Design Project Schedule requires that CPTs during planning, provide a preliminary schedule that addresses processes from planning through project closeout and is consistent with Section 1.3 – Master Schedule Levels specifications for Level 1.

Level 1 Schedule: Summarizes overall project for client and management and shows start and finish dates for major project phases and key milestones (such as design, procurement, construction, commissioning, and closeout).

Condition: Four (4) of five (5) samples selected for CPT schedule baseline estimates were either missing or lacked sufficient breakdown of milestones consistent with requirements for a Level 1 schedule, which is an industry standard. In addition, there were variances between schedule information provided within white papers and dashboard reports for the same time period, for example approval dates, design start, Notice-to-Proceed (NTP) for construction, substantial completion, and academic occupancy did not align.

Effect: Lack of standardized schedule milestones, structure, and date requirements, can result in inaccurate inputs to establish a schedule baseline needed to forecast and report on variances in EAC and/or Estimates-to-Completion (ETCs) as the project progresses.

Recommendation: PMO should consider incorporating a baseline schedule template for CPTs to utilize standard milestones, date requirements and format for schedules. In addition. The PMO should consider providing job aids or an equivalent as an example to reinforce PMO expectations with CPTs for creating a schedule baseline.

Management Response: Effective August 30, 2023, the PMO updated the white paper template to include standard schedule milestones and incorporated a schedule baseline template that is required as an attachment. As of October 13, 2023, the PMO updated the SOP and communicated updates to the CPTs. As a point of clarification, in addition to milestones being included in the white paper, all project baseline milestones are already captured in the program master schedule, allowing for accurate reporting for EAC and/or ETCs.

1D-3 Project Scope – At times, FMP and bond project list references were missing, as required for white paper completion.

Cause: The CPTs and the PMO may be so intimately familiar with the project discussed in the white paper and have previously reconciled the project to the FMP and bond projects listing. As a result, a mere statement in the white paper that the project is in compliance may be deemed sufficient by the CPT and the PMO.

Criteria: The Project Planning and Design, Design 1 – Rev 1 SOP, Section 2.1 – Planning Phase requires that CPTs develop their Scope of Work (SOW) based on and in alignment with approved college FMP and bond project lists. This is required as part of the white paper backup documentation to be provided within a 1-page summary (i.e., see white paper backup documentation checklist).

- Research the LACCD information archive and diligently investigate all project-specific parameters, constraints, and requirements to develop a comprehensive and project-specific scope of work.
- Develop the scope of work based on the approved college FMP and the approved Bond project list.

As part of the Master Planning, Master Planning 1 – Rev 1 SOP, Section(s) 1-2, any material revision, or addition that is not contained within the FMP and certified Environmental Impact Report (EIR), requires review by the District’s California Environmental Quality Act (CEQA) counsel and revisions to the FMP prior to proceeding.

Depending on the nature of the proposed revisions or additions, FMP amendment may need to be prepared. Examples of circumstances that may require FMP amendment include the following:

- Addition of projects
- Increase in size of facilities included in the college building program
- Revisions to the location of facilities
- Changes to college circulation elements, including access from public rights-of-way
- Changes in how facilities are used, such as expanded hours from nighttime lighting on sports fields, or regular use of facilities for large events
- Facilities updates to support college strategic educational master plan

Condition: CPTs include disclosures within white papers to confirm projects are consistent with existing FMPs, a Priority 1-2 on the bond project list and compliant with bond requirements. However, the CPT’s did not include documentation to validate such statements. CPTs typically consult the PMO bond compliance, planning and support services manager as part of the white paper approval process, but do not provide evidence consistent with the SOPs of their review.

Effect: Lack of supporting documentation with FMP, bond project list and bond language or reference to specific criteria, can result in inaccurate evaluations or non-compliance if reviewers are basing their approvals off incomplete information.

Recommendation: PMO should consider enforcing the existing requirements for CPTs to include supporting documentation that identifies where within the FMP and bond priority list that projects meet the criteria.

Management Response: Effective August 30, 2023, the PMO updated the white paper template to clarify required fields and communicated expectations for justification when an area within the white paper is not applicable. As of October 13, 2023, the PMO updated the SOP and communicated updates to the CPTs.

2. Existing SOPs may not be sufficient to support current bond program activities being performed

2A. [Contingency Management] There is limited evidence that CPTs are consistently performing a review of contingency at project milestones.

Cause: The SOPs states CPTs should perform a review of contingencies around a project milestone, however, they do not provide a clear requirement or sufficient level of detail for CPTs to document the identification, report out and establish a time limit by which funds are required to be released to the Owner's Reserve.

Criteria: The Budget and Cost Management - Controls 1, Rev. 2 SOP, Section 4 – Contingency Management states that CPTs should review the available project contingency around 70% physical project completion to identify potential underruns and release funds back to the Owner Reserve.

“The CPT should review each project’s available contingency around 70% physical project completion. Any potential contingency underruns should be identified and released back to the college owner’s reserve if the CPT is confident that no outstanding changes or potential cost impacts on design or construction would generate need for these funds.”

Condition: Five (5) of the 12 sampled projects reached or exceeded the 70% physical completion milestone based on the dashboard reports, thus triggering the above recommendation for contingency review. In all five (5) instances, the CPTs did not document as part of the dashboard report or other documentation whether contingencies were reviewed consistent with the SOPs.

Effect: CPTs may not be consistently performing reviews of their contingencies based on recommendations included within the SOPs and effectively managing potential changes and/or risks that would justify the need to maintain any amounts of contingency after achieving key project milestones.

Recommendation: The PMO should consider updating the current SOP requirements to ensure CPTs perform a review of contingencies at standard design and construction milestones and include routine status updates within the existing dashboard reports with justifications for not returning unused contingency to the owner reserve within an established time limit from achieving each milestone.

Management Response: On a monthly basis CPTs and PMO cost analysts already review project contingency status; to further document efforts, effective November 8, 2023, the PMO issued a notice to the CPTs to inform them that a new contingency draw down report will be implemented as part of the monthly reporting requirements.

2B. [Change Management] The updated version of SOPs does not include an exemption for completing PBA related to PQSP contracts, which does not align with current practices.

Cause: The bond program currently has projects performed by PQSPs, which do not need a PBA. In the recent update of the SOPs, the prior exemption language was not retained.

Criteria: Current SOPs do not articulate any exemptions for PQSPs and detail the following:

Per PA 04 SOP Rev 3 – Contracts and Procurement – Section 2.1.1.3, “The PQSP bench is a Multiple Award Task Order Contract (MATOC) for construction services by which the District can obtain a prequalified construction vendor to perform relatively small-scale work (under \$5 million in value at time of award) in the shortest possible time limit under the DBB statutes. Generally, all DBB projects under \$5 million are advertised only to the PQSP bench. The PQSP limits may be modified by the BOT, and this SOP only reflects the current limits.”

Condition: Of the 20 CO samples three related to projects that utilized PQSP contracts and did not contain a PBA. Current SOPs do not outline the requirements for exemption from a PBA.

Effect: Absence of clear requirements related to PQSP contracts in the SOPs may result in inconsistent practices or confusion surrounding SOP requirements.

Recommendation: PMO should consider updating the SOPs to include additional guidance regarding PQSP exemptions.

Management Response: Between September 12, 2022 and September 21, 2022, CPLT boot camps took place, and power point educational materials were provided to communicate that draft PBAs are PQSP project exceptions. Effective October 13, 2023, the SOP was updated to clarify PQSP exemption.

2C. [Change Management] The current level of information included with CPT change logs is not always consistent with leading practices.

Cause: The SOPs do not specify a sufficient level of COR information to be tracked in PMIS by the CPTs. Additionally, the CPTs do not have a standard excel version of a Change log to work off.

Criteria: The change management SOPs requires CPTs to maintain a Change Log.

Per PA 04 SOP Rev 2 – Construction – Section 9.4.1, “It is the CPT’s responsibility to have all required information regarding COR approvals entered the PMIS within two (2) working days of receiving the COR from the contractor. Information to be input into PMIS will, at a minimum, include the following:

- Description of change; COR number, CCD number
- Type of change (e.g., errors and omissions, field condition, scope change)
- Projected or approved changes to the contract amount”

Leading practices would typically also include the following additional information within a change log: initiating document (such as a NOC) and number (such as an RFI), initiation date, Change Order Proposal (CP), COP date, COP amounts, status etc.

Condition: The SOPs do not require CPTs to input enough information into the PMIS system to provide the PMO with efficient access to track and oversee the CO process. The CPTs maintain their own excel change logs outside of the PMIS system. These change logs differ in format and contains various levels of information. Some Change logs do not include information sufficient to effectively track and monitor the progression of CORs through the change management process. A key data point missing consistently across samples was the NOC that is necessary to identify the date a change was initiated.

Effect: Absence of sufficient information and tracking of CORs by the CPT may lead to an unclear inaccurate understanding of the current status of changes and their potential risk exposure to the project.

Recommendation: The PMO should consider revising the current SOP requirements to build-out and identify standard data and documentation requirements with CPTs to ensure CORs are being tracked and monitored consistently across colleges and projects.

Management Response: Effective November 3, 2023, the PMO developed and communicated a change management log review process to follow up with CPTs on any required data. In addition, the PMO held a workshop on October 26, 2023, to reinforce change order log data requirements. Note that the PMO is

currently transitioning the current PMIS to E-builder, enhancing CO standardization and control mechanisms.

2D. [Change Management] The current SOPs do not limit the time permitted for CPTs to incorporate CORs within COs for PMO review and approval.

Cause: The requirements within the SOPs do not account for the time-period from when the CPT has concluded negotiations with the Contractor for a change and consolidated multiple CORs into a CO for PMO approval. This results in a period beyond the maximum submission time permitted for CORs.

Criteria Construction – Construction 1, Rev. 2 SOP, Section 9.3.4.1 – Change Order Processing Forms, the current SOPs require CORs be submitted as part of COs within a maximum of fifteen (15) days from the date that CPTs obtain an agreement from the AOR or Contractor.

“After obtaining the agreement of the contractor or design-builder and AOR (for DBB only) that the subject CO is acceptable via signed Form CP-0260/0262, CO (for DB or Lease-Leaseback [LLB]), or Form CP-0261/0263 CO (DBB), the CPT submits a minimum of one wet-signed copy of the CO form and one complete set of CO backup documents to the PMO. All COs must be submitted to the PMO within 15-days of execution by the CPT”

“Execution by the CPT” above is not defined by the SOPs but is understood to mean when Contractor negotiations are complete, and the CPT has all required supporting documentation required to submit an individual COR to the PMO for approval as part of a CO package.

Condition: Based on change log information, one of 20 CO samples exceeded the 15-day maximum time permitted for the CPTs to submit COs to the PMO.

In addition, based on information included with Form CP-0320 (Record of Negotiations) documents the date CPTs obtained agreement from Contractors we noted the following:

- Based upon the time between the date negotiations concluded (i.e., obtained contractor agreement) to the date CPTs completed the COR Checklist to meet the criteria for submittal to the PMO, there were 17 of 20 samples that exceeded the 15-day period by 6-384 days.
- Based upon the time between the date CPTs completed the COR Checklist to meet the criteria for submittal to the PMO and when CORs were submitted within a CO, there were six (6) of 20 CORs that exceeded the 15-day period by 5-48 days.

It appears CPTs are obtaining agreement and documenting via Form CP-0320 at the conclusion of COR negotiations, however, are not completing Form CP-0260 and submitting CORs as part of COs in a timely manner. CORs impacted by the delay in processing ranged from \$2,034 – \$383,145 in value.

Effect: CORs that are not submitted timely (i.e., approximately twice a month when changes are occurring), may result in increased pressure on Contractors to proceed at risk to mitigate further cost and schedule impacts as well as financial burdens on Subcontractors that are subject to pay-when-paid terms and rely on cash-flow to operate.

In addition, the ‘commitments’ reflected within the EACs may not be accurate if information is limited to COs and not include CORs agreed upon by the CPT and Contractor.

Recommendation: PMO should consider updating the existing SOP requirements to clarify the timeframe permitted for CORs to be submitted as part of COs for PMO review and approval.

Management Response: The 15-day timeline is a metric specific to CO processing time after the CO is signed by Contractor and CPT. Based on the SOP requirement, only one (1) of the 20 CO samples that were selected by KPMG exceeded the 15-day requirement by five (5) days. PMO is continuously monitoring the CO processing timeline specified in the SOP. Effective November 3, 2023, the PMO updated the SOP and developed a change management log review process and associated escalation measures to enhance monitoring of COR processing time. The change management log review process was communicated to the CPTs on November 2, 2023.

2E. [Overhead Management] There are currently no SOP requirements tailored to support the development of white papers and project budgets for 40J overhead accounts.

Cause: Existing SOP processes and requirements are intended for college level projects and are not applicable to projects associated with 40J Accounts even though the SOPs make references to them.

Criteria: The Budget and Cost Estimating, Controls 1 – Rev 2 SOP, Section 3 requires that 40J and District Projects follow a similar process as college level projects to request funding as part of their project budget baseline or re-baseline requests.

The following is required for the project budget baseline:

Approval of a project initial baseline budget requires the drafting of a white paper. The CPD/PMO cost account manager prepares a white paper for initiation of the new project, establishment of project initial baseline budget, and funding request. The white paper package includes the following supporting documents:

- PEW
- ROM estimate, or construction cost estimate prepared by the planning/programming A/E, validated by the PMO estimator
- Project schedule baseline
- New project/name change/financial ID/budget establishment request (Form PMA-0044)

If part of a re-baseline effort, additional documentation required includes:

- Anticipated cost report from PMIS
- Project schedule
- Construction cost estimate validated by PMO estimator
- Programming and design criteria architect programming report for DBB project re-baselining at completion of programming phase
- Construction bid for DBB project re-baselining at completion of construction contract bid phase
- DBE price proposal for DB project re-baselining at completion of DB contract bid phase
- DBE Guaranteed Maximum Price (GMP) for DB project re-baselining at completion of GMP establishment phase

Condition: The information included in the White Papers provided for 40J Accounts projects was inconsistent. None of the five sampled 40J Accounts projects included standard PEWs, ROMs, and/or schedule baseline equivalents consistent with requirements for College Level Projects.

Additionally, documentation necessary to support the development of scope requirements, budgets, and resource estimates for the five (5) 40 J Accounts projects sampled is either insufficient or not provided as part of the White Paper packages. Documentation of historical cost data, meeting minutes and other internal correspondence supporting the development of budget and resource forecast may be maintained across shared drives and is not included or referenced as part of the White Papers, sometimes due to confidentiality concerns.

Effect: Incomplete policies and ad-hoc practices related to 40J Accounts projects have resulted in inconsistent document controls and management practices and may result in incomplete reviews and approval of white papers.

In addition, the practice of 40J Account Lead Managers/Subject Matter Experts (SME) maintaining information outside of PMIS tools limits the PMO's abilities to access both current and historical information needed to support its review and analysis of budget and resource forecast associated with 40J accounts.

Recommendation: PMO should consider updating the SOPs to provide minimum requirements for document controls, filing structure, and locations that SMEs should maintain information related to the development of forecast for 40J accounts projects. The documentation can be included as a reference within the white papers and include a link for reviewers to access to ensure consistent information is provided as part of white paper packages.

Management Response: Effective November 3, 2023, the SOP was updated to clarify overhead management white paper process.

2F. [Scope and Initial Budget] There is an opportunity to update and consolidate existing white paper templates to better align with requirements included within the revised SOPs.

Cause: Outdated and conflicting white paper templates are being utilized, contributing to variances in the level of detail and documentation required from CPTs and the PMO.

Criteria: The Budget and Cost Estimating, Controls 1 – Rev 2 SOP, Section 3 requires that 40J and District projects follow a similar process as college level projects to request funding.

3. Project Budget Baseline Development

Approval of a project initial baseline budget requires the drafting of a white paper. The college project CPD/PMO cost account manager prepares a white paper for initiation of the new project, establishment of project initial baseline budget, and funding request. The white paper package includes the following supporting documents:

- PEW
- ROM estimate, or construction cost estimate prepared by the planning/programming A/E, validated by the PMO estimator
- Project schedule baseline
- New project/name change/financial ID/budget establishment request (Form PMA-0044)

Condition: Multiple white paper templates are available and include different requirements as it relates to the contents, level of detail and supporting documentation that CPTs and the PMO provide within packages. White paper templates utilized across the five (5) samples included:

- Measure CC Fund/Project Request – Revision dated February 26, 2021
- Release of 2017 Program Reserve Funds Request – Revision dated February 26, 2021
- White Paper Memo – Revision dated February 26, 2021

The prior SOP version – PMA 5.0, Rev 11 wherein white paper requirements were included was updated September 17, 2021 and the most recent Controls 1, Rev 2 as last updated April 28, 2023, but, all of the sampled White Papers processed within the FY22-23 audit period utilized the template last updated in February 2021 and may not be consistent with current requirements and/or aligned to other templates such as the PEW and ROM that CPT utilize.

Effect: Maintaining multiple versions of white paper templates and not performing routine updates or evaluations to ensure alignment with revisions to SOP requirements may result in inconsistent practices across CPTs and/or potentially incomplete information provided to the PMO.

Recommendation: PMO should consider updating and consolidating the white paper templates to align with current versions of the SOP as well as tailor them to include progressive option or steps to select whether the project is at District or college level, new project, or re-baseline, etc. to minimize the level of effort needed in developing the packages based on information required specific to the project type.

Management Response: On August 30, 2023, the PMO updated and issued a consolidated white paper template. As of October 13, 2023, the SOP was updated to reflect white paper updates.

APPENDIX A - SUMMARY OF OBSERVATIONS

1. Some activities are not consistently performed in compliance with existing SOP requirements.			
No.	Audit Observation	Risk	Recommendation
1A	[Contingency Management] The CPT memos within budget transfer requests do not consistently include sufficient justification to utilize contingencies.	Insufficient documentation provided by CPTs to support budget transfers to account for “soft cost” overruns, results in delays and inconsistent decision making at project and program management level.	The PMO should consider updating the current SOP requirements for budget transfers to provide clarification to CPTs on the criteria and minimum documentation required to support utilization of contingency or any other available funds. As a better practice, any justification for changes to soft costs budgets should include a costs analysis with a basis for estimate to support budget transfer.
1B	[Change Management] CO and COR do not consistently include complete supporting documentation, as required by the SOPs.	If information provided by CPTs is inconsistent and/or missing from the CO/COR packages the personnel reviewing may not be able to complete an accurate review of the proposed changes resulting in incorrect approval.	The PMO should consider performing an additional review of the COR requirements included within associated forms that CPTs are instructed to utilize to ensure consistency between requirements of the SOPs and those provided within the forms. In addition, the PMO and CPDs should consider reviewing these inconsistent practices with CPT Teams and to discuss current SOP requirements and PMO expectations to related to filling out the CO/COR checklists.
1C	[Change Management] The time required for CPTs to intake, review, and process CORs exceeds the time limit permitted within SOPs and industry standards.	See 1C-1, 1C-2	See 1C-1, 1C-2
1C-1	[Change Management] The time from a change initiation to a contractor produced COR on some occasions exceeds 50-days.	Although some lengthy COR process time may be warranted, any excessive COR processing times can result in added costs and schedule delays for the project that are not always known to the CPT, PMO and District.	PMO should consider reviewing the existing SOP requirements to determine if the various critical processing times in the COR cycle are adequately defined and measured. In addition, the SOPs and the Contractor contracts should be revised to include additional time or CPTs should be required to enforce the existing contractual requirements and document if Contractors request additional time.

1C-2	[Change Management] 1C-2 Time between proposal submittal and review of JOC changes exceeds the duration outlined in the SOPs.	Without timely review and approval of JOC Supplements s in a timely manner can cause delays that result in increased cost and schedule risk exposure for the project.	PMO should consider whether the current 22-day processing period is reasonable. If not, the JOC vendor should revise the process to include additional time. Otherwise, the PMO should incorporate additional process controls within the SOPs to enforce the existing requirement for the vendor to process JOC supplements within the agreed upon timeframe.
1D	1D [Scope and Budget/Contingency Management] The SOP requirements related to the CPT development of scope, budget and schedule included within white papers are not consistently followed.	See 1D-1, 1D-2, ID-3	See 1D-1, 1D-2, ID-3
1D-1	[Scope and Budget/Contingency Management] PEWs and ROMs are at times missing relevant information, do not consistently provide sufficient support for proposed hard and soft costs categories, or sometimes include calculations outside SOP requirements.	CPTs may not be consistently providing the PMO with accurate information to facilitate a data-driven decision to establish both budget and risk profiles for proposed projects. Unsupported ROMs or PEWs can result in inaccurate project budget estimates.	The PMO should consider: (a) providing job aids or an equivalent as an example to CPTs and reinforce PMO expectations for completing the ROM/PEW consistent with existing SOP requirements and/or (b) update the ROM/PEW templates to change or remove data fields that are no longer required or relevant to the estimating process.
1D-2	[Scope and Budget/Contingency Management] Schedule baseline and schedule milestones included with white papers were at times missing sufficient detail.	Lack of standardized schedule milestones, structure, and date requirements, can result in inaccurate inputs to establish a schedule baseline needed to forecast and report on variances in EAC and/or ETCs as the project progresses.	PMO should consider incorporating a baseline schedule template for CPTs to utilize standard milestones, date requirements and format for schedules. In addition. The PMO should consider providing job aids or an equivalent as an example to reinforce PMO expectations with CPTs for creating a schedule baseline.
1D-3	[Scope and Budget/Contingency Management] At times, FMP and bond project list references were missing, as required for white paper completion.	Lack of supporting documentation with FMP, bond project list and bond language or reference to specific criteria, can result in inaccurate evaluations or non-compliance if reviewers are basing their approvals off incomplete information.	PMO should consider enforcing the existing requirements for CPTs to include supporting documentation that identifies where within the FMP and bond priority list that projects meet the criteria.

2. Existing SOPs may not be sufficient to support current bond program activities being performed			
No.	Audit Observation	Risk	Recommendation
2A	[Contingency Management] There is limited evidence that CPTs are consistently performing a review of contingency at project milestones.	CPTs may not be consistently performing reviews of their contingencies based on recommendations included within the SOPs and effectively managing potential changes and/or risks that would justify the need to maintain any amounts of contingency after achieving key project milestones.	The PMO should consider updating the current SOP requirements to ensure CPTs perform a review of contingencies at standard design and construction milestones and include routine status updates within the existing dashboard reports with justifications for not returning unused contingency to the owner reserve within an established time limit from achieving each milestone.
2B	[Change Management] The updated version of SOPs does not include an exemption for completing PBA related to PQSP contracts, which does not align with current practices.	Absence of clear requirements related to PQSP contracts in the SOPs may result in inconsistent practices or confusion surrounding SOP requirements.	PMO should consider updating the SOPs to include additional guidance regarding PQSP exemptions.
2C	[Change Management] The current level of information included with CPT change logs is not always consistent with leading practices.	Absence of sufficient information and tracking of CORs at the CPT level may result in an unclear and/or inaccurate understanding of the current status of changes and their potential risk exposure to the project.	The PMO should consider revising the current SOP requirements to build-out and identify standard data and documentation requirements with CPTs to ensure CORs are being tracked and monitored consistently across colleges and projects.
2D	[Change Management] The current SOPs do not limit the time permitted for CPTs to incorporate CORs within COs for PMO review and approval.	CORs that are not submitted timely (approximate twice a month when changes are occurring), may result in increased pressure on Contractors to proceed at risk to mitigate further cost and schedule impacts as well as financial burdens on Subcontractors that are subject to pay- when-paid terms and rely on cash-flow to operate. In addition, the 'commitments' reflected within the EACs may not be accurate if information is limited to COs and not include CORs agreed upon by the CPT and Contractor.	PMO should consider updating the existing SOP requirements to clarify the timeframe permitted for CORs to be submitted as part of COs for PMO review and approval.

<p>2E</p>	<p>[Overhead Management] There are currently no SOP requirements tailored to support the development of white papers and project budgets for 40J overhead accounts.</p>	<p>Incomplete policies and ad-hoc practices related to 40J accounts projects have resulted in inconsistent document controls and management practices and may result in incomplete reviews and approval of white papers.</p> <p>In addition, the practice of 40J account Lead Managers/SMEs maintaining information outside of PMIS tools limits the PMO’s abilities to access both current and historical information needed to support its review and analysis of budget and resource forecast associated with 40J accounts.</p>	<p>PMO should consider updating the SOPs to provide minimum requirements for document controls, filing structure, and locations that SMEs should maintain information related to the development of forecast for 40J Accounts projects. The documentation can be included as a reference within the white papers and include a link for reviewers to access to ensure consistent information is provided as part of white paper packages.</p>
<p>2F</p>	<p>[Scope and Initial Budget] There is an opportunity to update and consolidate existing white paper templates to better align with requirements included within the revised SOPs.</p>	<p>Maintaining multiple versions of white paper templates and not performing routine updates or evaluations to ensure alignment with revisions to SOP requirements may result in inconsistent practices across CPTs and/or potentially incomplete information provided to the PMO.</p>	<p>PMO should consider updating and consolidating the white paper templates to align with current versions of the SOP as well as tailor them to include progressive option or steps to select whether the project is at District or college level, new project, or re-baseline, etc. to minimize the level of effort needed in developing the packages based on information required specific to the project type.</p>

APPENDIX B - LIST OF ACRONYMS

Acronym	Definition
ACR	Anticipated Cost Report
A/E	Architect/Engineer
AECOM	AECOM Technical Services, Inc.
AICPA	American Institute of Certified Public Accountants
AOR	Architect of Record
BOE	Basis of Estimate
BOT or Board	Board of Trustees
BuildLACCD	Los Angeles Community College District Program Management Office, a blended
CCD	Construction Change Directive
CCD	Construction Change Directive
CEQA	California Environmental Quality Act
CO	Change Order
COP	Change Order Proposal
COR	Change Order Request
CPD	College Project Director
CPT	College Project Team
DB	Design Build
DBB	Design Bid Build
DC	Document Controls
DCPC	District Controlled Project Contingency
DSA	Division of the State Architect
EAC	Estimate at Completion
EFS	Electronic Filing System
EIR	Environmental Impact Report
ERC	Estimate Review Checklist
ETC	Estimate to Complete
EVR	Earned Value Report
FMP	Facilities Master Plan
FMPOC	Facilities Master Plan and Oversight Committee
GAGAS	Generally Accepted Government Auditing Standards
GMP	Guaranteed Maximum Price
IA	Internal Audit
JACOBS	Program Manager or Jacobs Project Management Co.
JOC	Job Order Contract
KPMG	KPMG LLP
LACCD or District	Los Angeles Community College District
LLB	Lease Leaseback
MATOC	Multiple Task Order Award Contract
MFI	Master File Archive Index
NOC	Notification of Change
NOD	Notification of Delay
NTP	Notice to Proceed
OSCC	Owner Controlled Contractor Contingency
PBA	Proposed Board Action
PEW	Project Estimate Worksheet

Acronym	Definition
PM or DPM	Project Manager, Deputy Project Manager
PMIS	Program Management Information System
PMO	Program Manager or Program Management Office
PQSP	Pre-Qualified Service Provider
RFI	Request for Information
RFP	Request for Proposal
ROM	Rough Order of Magnitude
RPD	Regional Program Directors
RPRF	Release of Program Reserve Funds Request
SJOC	Supplemental Job Order Contract
SME	Subject Matter Expert
SOP	Standard Operating Procedures
SOW	Scope of Work

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APPENDIX C - SUMMARY AND STATUS OF 2021-22 OBSERVATION AND RECOMMENDATION

(Management’s response provided by BuildLACCD)

Prior Observations and Recommendations	Status Update
<p>1 Document Management</p> <p>(Low) There is an opportunity to update current document management SOPs and MFI to improve consistent implementation of filing structures across the colleges.</p> <p>Recommendation:</p> <p>PMO and CPT’s should collaborate with the colleges to update MFI requirements to incorporate current state document management practices, including removing unnecessary folders and considering updating filing requirements to align with CPT current state practices.</p>	<p>Remediation:</p> <p>Internal Audit (IA) verified that the PMO reviewed and updated the MFI and met with all colleges to review changes. All colleges are required to utilize the updated MFI, effective November 7, 2022.</p> <p>IA verified that the updated MFI requirements incorporate current state document management practices that includes removal of unnecessary folders and updated filing requirements.</p>
<p>2 Schedule and Budget Management</p> <p>(Low) The SOPs include documentation requirements that are outdated or unclear and should be revised, including:</p> <ul style="list-style-type: none"> a. the requirement for a Master Schedule Change Form. b. the level of detail required for schedule documentation submitted with Release of Program Reserve Funds Request (RPRF) packages. <p>Recommendations:</p> <ul style="list-style-type: none"> a. The SOP language should be updated to clarify current state requirements and the requirement of the Master Schedule Change Form should be removed. b. The PMO should update the SOPs to clarify the level of project schedule required to support RPFPP packages, inclusive of an example schedule. 	<p>Remediation(s):</p> <ul style="list-style-type: none"> a. IA verified that the PMO is following the CO review at the project level. The Master Schedule Change Form has been removed from the SOP to clarify the process. <p>Clarifications were also added to specify that the schedule rebaseline refers to a project rebaseline, not a program level rebaseline. Changes went into effect November 7, 2022.</p> <ul style="list-style-type: none"> b. IA verified that the PMO has updated the SOPs to clarify the level of project schedule required to support RPFPP packages, inclusive of an example schedule. Changes went into effect November 7, 2022.

Prior Observations and Recommendations	Status Update
<p>3 Budget Management</p> <p>(Low) SOP documentation requirements for budget rebaselining and budget transfers were not consistently followed by the colleges, including:</p> <ul style="list-style-type: none"> a. Missing budget rebaseline documentation: Anticipated Cost Report (ACR), PEW, Project Schedule, and Project Estimate. b. Missing Form PMA-0044 with budget transfer packages <p>Recommendation:</p> <ul style="list-style-type: none"> a. The PMO should enforce the current SOP requirements with the CPTs. b. The SOP language should be updated to clarify current state requirements and the requirement of including Form PMA-0044 with the Project Budget Transfer Form should be removed. 	<p>Remediation(s):</p> <ul style="list-style-type: none"> a. IA verified that the PMO has reinforced the requirement in the SOP to include the ACR, along with all other required documentation, as part of the whitepaper. <p>The updates were communicated to cost analysts on November 7, 2022.</p> <ul style="list-style-type: none"> b. IA verified that the SOP was updated to clarify that the form is not required for budget transfer and that PMA-0041 and PMA-0043 were replaced by PMA-0044 in 2018. <p>The changes went into effect November 7, 2022.</p>

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