

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

Fiscal Year Ended June 30, 2025

DRAFT

January 14, 2026 **Issue Date TBD**

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

January 14, 2026 **TBD**

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

Dear Dr. Sata:

This draft report presents the results of our work conducted to address the performance audit objectives relative to the Los Angeles Community College District's (LACCD's) Proposition A, Proposition AA, Measure J, Measure CC, and Measure LA bond programs. Our work focused on areas covered under the bond program during the period of July 31, 2024, through June 30, 2025, 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 objective of our audit 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>

TABLE OF CONTENTS

| | |
|---|----|
| EXECUTIVE SUMMARY | 3 |
| BACKGROUND | 6 |
| AUDIT METHODOLOGY AND SCOPE..... | 8 |
| AUDIT RESULTS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES..... | 13 |
| APPENDIX A - SUMMARY OF OBSERVATIONS..... | 23 |
| APPENDIX B - LIST OF ACRONYMS | 24 |
| APPENDIX C - SUMMARY AND STATUS OF FY2023-24 OBSERVATIONS AND RECOMMENDATIONS | 25 |

DRAFT

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, 2024, through June 30, 2025.

Objective

A performance audit is an objective analysis for use by management and those charged with governance and oversight to improve 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 (Program) and bond program expenditures in accordance with the requirements of Proposition 39. Total aggregate bond expenditures were \$6,790,794,774 (unaudited) through the fiscal year ended June 30, 2025.

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 compare program performance to this year. However, subsequent to these changes, but prior to the current audit period, additional significant revisions to the SOPs have taken place with the intent to simplify and increase efficiency and effectiveness.

The scope for the FY24-25 performance audit, as agreed to with the District in our annual performance audit scope letter, included the following areas of focus:

- **Standard Operating Procedures** – KPMG evaluated, on a sample basis, the District's SOPs relative to leading practices. This evaluation provided an independent assessment of the bond program's key processes and controls and established a baseline for identifying both areas of strengths as well as process weaknesses and areas for improvement. Areas of focus included, but was not limited to, award of bench contract task orders; Board approval of project budgets; budget transfers; project closeout; and utilization of "white papers."
- **Project closeout** – KPMG assessed the level of compliance by Campus Project Teams (CPTs) and Program Management Office (PMO) relative to the SOPs and leading practices in place for District project closeout activities. KPMG sampled projects and focused on activities performed during the audit period, including delivery and acceptance of operation and maintenance (O&M) manuals, warranties, commissioning, financial and contractual closeout, and project document archiving.
- **Expenditures** – KPMG selected a sample of bond expenditures and supporting documentation to audit the performance of internal controls for the total bond program

funds expended and measured against the requirements of Proposition 39 and the District cost principles. Our sample was determined based on FY24-25 expenditures only.

- **Schedule management, variance analysis & reporting** – KPMG assessed bond program schedule management activities on a sample of projects with a focus on schedule changes and variance analysis during the construction phase. KPMG also evaluated compliance with PMO schedule management policies & procedures and leading practices. KPMG audited a sample of approximately five relevant projects from the current audit period.

Our performance audit does not opine on the internal controls structure of LACCD or the PMO. 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 program that did not conform to the requirements of Proposition A, Proposition AA, Measure J, Measure CC and Measure LA. Based on our audit scope this year, we made observations where we identified opportunities for improvements related to the SOPs and compliance with the PMO's policies and procedures.

Summary of Observations

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

High Priority - The recommendation pertains to a significant audit finding or control weakness. Due to the significance of the matter, immediate management attention and appropriate corrective action is warranted.

Medium Priority - The recommendation pertains to a moderately significant audit finding. Reasonably prompt corrective action should be taken by management to address the matter.

Low Priority - The recommendation pertains to an audit finding of relatively minor significance or concern yet still requiring attention. The timing of any corrective action is left to management's discretion.

There is a total of six observations related to improving the SOPs and compliance activities, all of which are ranked as **low priority** observations. At the date of this report, all recommendations except for one have been addressed by management.

Theme 1 – There are sometimes gaps in the SOP processes and requirements:

- OB 1: [Expenditures] The SOPs do not specify a requirement to capture lessons learned related to costs rejected for non-compliance with Bond Cost Principles or other contractual requirements. (Low)
- OB 2: [Schedule Management] The SOPs do not include a requirement for formal sign-off to support the “review & verification” of schedule variance reports. (Low)
- OB 3: [Schedule Management] Contractor delays in submitting monthly schedule updates impacted timely PMO review of the project schedule. (Low)
- OB 4: [Standard Operating Procedures] The SOPs do not define a framework for value engineering. (Low)

Theme 2 – There is one instance of non-compliance with the SOPs as currently written:

- OB 5: [Project Closeout] Some of the required closeout documents were not consistently prepared and/or executed within timeframes required by the SOPs. (Low)

Theme 3 – There are opportunities to further clarify SOP requirements:

- OB 6: [Project Closeout] Certain closeout requirements and responsibilities are not consistently described within the Project Closeout and Risk Management SOPs. (Low)

¹GAGAS 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 so that that funds have been expended only on the specific projects listed.

The District's bond program (Program) is largely funded by Proposition A, Proposition AA, Measure J, Measure CC and Measure LA, which were approved by voters in 2001, 2003, 2008, 2016 and 2022, respectively. The total authorized investment dollars increased to \$14.3 billion from the inception of the program. Approximately \$7.9 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 \$7.9 billion in funds remaining, \$5.3 billion represents Measure LA funds.

Total aggregate bond expenditures (unaudited) through June 30, 2025 were \$6,790,794,774; including \$1,348,691,529 (Proposition A), \$1,058,702,832 (Proposition AA), \$3,323,643,030 (Measure J), \$1,042,835,968 (Measure CC) and \$16,921,414 (Measure LA). For the audit period, \$674,087,628 was expended. **<TBD>**

BuildLACCD's function is to facilitate the delivery of projects under the 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 (PMO)

BuildLACCD consists of 283 positions as of June 30, 2025, positions in a number of functional areas and includes several consultants and members of District staff. The largest function of BuildLACCD is the program management function, which is provided by Jacobs Project Management Company (Jacobs or PMO).

College Project Team (CPT)

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

The 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. Under the current PMO (Jacobs), all CPTs were contracted directly with the District, but report to the PMO. This created a centralized structure and improved accountability.

Regional Project Directors (RPDs)

The PMO established the role of the Regional Project Director (RPD) in 2017 as a commitment to

improve communications with the CPTs. 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 CPT to execute projects successfully through each phase of the project lifecycle. As the principal coordinator between the PMO and the CPT, 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 reportedly improved.

Standard Operating Procedures (SOPs)

A bond program of the size and complexity like the District's, requires an adequate Program internal control structure in place. A Program's policies and procedures help create an internal control framework for an organization. It is this internal control framework that management will rely upon and that will help so that 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. The District's policies and procedures for the bond program are included in the Program'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 two most prior audit periods, 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 METHODOLOGY AND SCOPE

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

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States and as a requirement for construction bond programs under California Proposition 39, Smaller Classes, Safer Schools, and Financial Accountability Act (Proposition 39). Our work for the year ended June 30, 2025, was performed during the period of July 1, 2025, through the date of this report.

Methodology

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

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

We reviewed the District's internal policies, procedures, and documentation of key processes. We conducted interviews with BuildLACCD personnel and other contractors, and consultants involved with BuildLACCD and the 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. We performed all our testing on a judgmental sample basis.

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. Standard Operating Procedures (SOPs)

Our audit objective for Standard Operating Procedures (SOPs) focuses on evaluating the District's SOPs on a sample basis and analyzing their alignment with leading practices. This independent assessment aims to identify key strengths and weaknesses and highlight areas requiring improvement within the bond program's processes and controls. Our evaluation encompassed a sample of SOP areas including the award of bench contract task orders, Board approval of project budgets, budget transfers, project closeout, and the utilization of "white papers¹."

¹ A white paper is a formal document prepared during the project initiation phase to establish the project's initial baseline budget and request funding. It includes key supporting documents like the project estimate worksheet, validated estimates, project schedule baseline, budget tables, and funding sources. Approval follows a structured review process involving various levels within the organization, ensuring compliance and strategic alignment.

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

- a) Assessed the District's SOPs and tested procedural steps conducted by the District and PMO employees to baseline the program's current standard operating procedures.
- b) Assigned a maturity rating to each process area based on the clarity and completeness of documentation, effectiveness of established controls, user adherence to established process and procedure, availability and application of templates, job aides, tools to support the process implementation.
- c) Benchmarked the bond program's key process and control ratings to other higher-education institutions and leading companies outside of the higher-education industry (i.e., power and utilities, oil and gas, technology, healthcare and pharmaceutical, engineering and construction, and manufacturing and industrial) utilizing KPMG's controls assessment tool and global database. The five key program areas evaluated include:
 - Strategy, organization, and administration
 - Cost and financial management
 - Procurement management
 - Project controls and risk management
 - Schedule management.

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

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

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

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

2. Project Closeout

Our audit objective for project closeout included assessing compliance with SOPs and leading practices across District project closeout activities. We conducted detailed testing on a sample of nine projects from various campuses, focusing on activities such as the delivery and acceptance of operation and maintenance manuals, warranties, commissioning, financial and contractual closeout, and project document archiving during the audit period.

Our audit procedures included the following:

- a) Confirm that Form CC-1150 (Occupancy and Safety Checklist) is prepared and completed, addressing safety and occupancy items.
- b) Confirm that the CPT has stated the substantial completion date, establishing the project's timeline.
- c) Confirm that Form CC-0010 (Final Completion Punch List) is prepared and completed so that the final checklist of tasks can be verified.
- d) Confirm that Form DES-0002-G (Digital Archival Checklist) is prepared and completed, so that digital archival requirements can be met.
- e) Confirm that Form CP-0110 (Certificate of Substantial Completion) is prepared and completed, establishing the substantial completion of the project.
- f) Confirm that Form CP-0687 (Request to Release and/or Withhold Retention) is prepared and completed, establishing the process for handling retention.
- g) Confirm the release of undisputed funds within 60 days of the substantial completion date.
- h) Confirm that Form CP-0160 (Invoice Payment Approval) is prepared, signed, and archived within 60 days of the substantial completion date, so that payment processes are complete.
- i) Confirm that Form CP-0165 (Invoice Payment Checklist) is completed within 60 days of the substantial completion date, establishing timely invoice processing.
- j) Confirm that Form CP-0191 (Payment Certification) is prepared and completed, establishing payment details and certification.
- k) Confirm that Form CP-0610 (Unconditional Waiver Release Aggregate Payment) is prepared and completed, so that payment release agreements are verified.
- l) Confirm that Form CP-0620 (Conditional Waiver/Release Final Payment) is prepared and completed, establishing final payment terms.
- m) Confirm that Form CP-0684 (Financial Closeout) is prepared and completed, establishing the financial closure of the project.
- n) Confirm that Form CC-0132 (Startup Checklist) is prepared and completed, establishing readiness for project startup.
- o) Confirm that Form CC-0115 (Request for Notice of Completion) is prepared and completed, establishing notification of project completion.

- p) Confirm that Form CC-0135 (Final Project Closeout and Archiving Checklist) is prepared and completed, so that closeout and archiving tasks are confirmed.
- q) Confirm that the DSA certification procedure is completed and documentation is maintained, helping establish compliance with certification requirements.
- r) Confirm that Form CC-0135-A (Inventory List) is prepared and completed, helping establish accurate inventory documentation.
- s) Confirm that Operation & Maintenance (O&M) manuals and warranties are prepared and completed, establishing the availability of operational and warranty information.
- t) Confirm that as-built documents are prepared and completed, establishing the accurate documentation of the project's final state.
- u) Confirm that Form CC-0140 (Master File Index List) is prepared and completed, establishing indexing of project files.
- v) Confirm that Form CP-0380 (Project Lessons Learned) is prepared and completed, documenting valuable insights gained during the project.

3. Expenditures

Our audit objective for expenditures included analyzing a sample of bond expenditures and supporting documentation. We tested 42 expenditure samples across all campuses to evaluate the performance of internal controls and compliance with Proposition 39 and the District cost principles.

Our audit procedures included the following:

- a) Confirm that the expenditure is allowable per Proposition 39.
- b) Confirm the project is included in the project eligibility list.
- c) Confirm that the expenditure is eligible in the Bond Program Cost Principles
- d) Confirm funds are encumbered in Proliance, The Program's Project Management Information System (PMIS).
- e) Confirm monthly reconciliation of data migration between Proliance and Costpoint platforms used for tracking expenditures.
- f) Confirm completion and approval of invoice packages.
- g) If there is a stop notice, confirm their release using form CP-0641.
- h) Confirm drawdown approval and fund transfer to bank accounts.
- i) Confirm review and approval of EFT payments.
- j) Confirm signature compliance for check disbursements.

4. Schedule management, variance analysis and reporting

Our audit objective for schedule management included assessing schedule management activities on a sample of eight projects from a cross section of locations and CPTs. We focused on schedule changes and variance analysis during the construction phase, evaluating compliance with PMO policies, procedures, and leading practices during the audit period.

Our audit procedures included the following:

- a) Confirm the master schedule aligns with the Work Breakdown Structure (WBS).
- b) Confirm that the Master Schedule includes timelines for all events.
- c) Confirm presence of Level 1 Schedule with major milestones.
- d) Confirm detailed activities and logical task relationships in Level 2.
- e) Confirm cost-loaded schedules align with standard phase structure.

- f) Confirm that all milestones and sequences are documented and complete.
- g) If a re-baseline request is made, confirm they include required supporting documentation.
- h) Confirm approvals are obtained for re-baseline schedules.
- i) Confirm monthly consolidation and analysis of schedule updates.
- j) Confirm variance analysis is conducted with the required information included.
- k) Confirm the development of a design project schedule with the details included.
- l) Confirm the development of a construction schedule complete with critical path milestones.
- m) If applicable, confirm submission of preliminary schedule within 14 days of Notice to Proceed (NTP).
- n) Confirm that the preliminary schedule submitted is complete.
- o) Confirm the contractor developed baseline schedule with required details.
- p) Confirm the contractor baseline schedule was submitted within 120 of the NTP.
- q) Confirm that the schedule update submittal includes sufficient details as required by the SOPs.
- r) Confirm that the College Project Director (CPD) conducts monthly schedule review meeting with the contractor, CPT, and other relevant parties.
- s) Confirm that monthly schedule review meetings occur at least 7 days before the submittal of the monthly schedule update.
- t) Confirm that the CPD reviews and returns the submittal to Contractor within 7 days of receipt of payment application with proper notation.
- u) Confirm that monthly schedule updates reflect project status.
- v) If the Contractor schedule projected a delay of 15 days or more past the contract completion, confirm that the CPD notified the contractor to develop and submit a recovery schedule.
- w) Confirm creation of recovery schedule for delays 15 days or more past the contract completion.
- x) Confirm that the project manager and CPD provides a narrative explaining the variances.
- y) For contracts over \$5 million, confirm the preparation of an earned value report.
- z) Confirm the preparation of variance analysis reports as part of the monthly project update process.
- aa) Confirm the review and approval of the monthly schedule report.

AUDIT RESULTS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

Policies and Procedures

A bond program of LACCD's size and complexity requires an adequate bond program management framework in place. A bond program's policies and procedures help create such a framework for an organization. It is this framework that management will rely upon to help so that 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 Program are included with the Program's SOPs.

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

- **Budget and Cost Management** – The PMO developed the white paper process to standardize the approval of a project's initial baseline budget. This process, managed by the CPD or PMO cost account manager, governs project initiation, baseline budget establishment, and funding requests. The white paper is supported by a package of documents, providing detailed information necessary at the inception of the project. This promotes consistent and thorough budget planning and oversight.
- **Estimating** - The PMO established a procedure for using third-party professional estimators when construction cost estimates exceed the project construction budget by 10%. If both PMO estimators and an architect's or engineering (A/E) firm's estimates surpass this threshold, independent estimates may be obtained. These third-party estimates are used to validate, crosscheck, and analyze the accuracy and reasonableness of estimates prepared by the A/E firm.. This process applies during the design phases for design-bid-build projects and design-build projects with a guaranteed maximum price, based on open book bidding, as recommended by the PMO and at the District's discretion.
- **Roles and Responsibilities** – The PMO developed a responsibility matrix (RACI) to provide detailed guidance on roles and responsibilities within the SOPs. This matrix is set up at the enterprise level and provides a broader framework that supports and aligns with the SOPs. It broadly defines responsibilities for team leads in their respective areas.
- **Document Management** – The PMO has updated the Project Planning & Design SOPs and developed the Communication Plan to outline communication channels, frequencies, and stakeholder involvement. These updates detail required meetings, specify the stakeholders involved, and provide guidelines for documenting and verifying participation, when necessary, such as with the DES-0012-B form for the building user group verification.

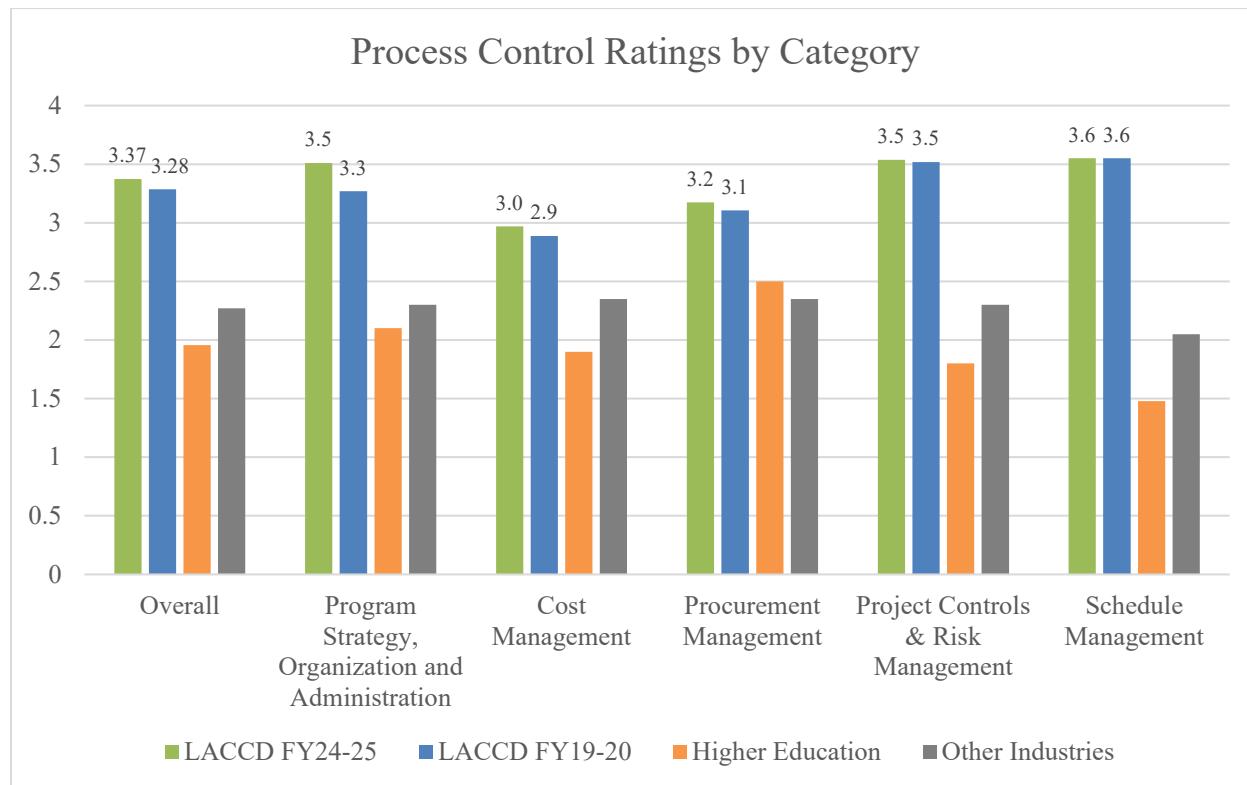
This year's performance audit results, which are based on KPMG's assessment methodology, indicates that the SOPs are still in line with leading practices and in many areas exceed what we normally observe in other comparable programs of similar size and complexity.

The table below summarizes the Program's average overall rating and the average rating for each of the five key program areas, as compared to other higher-education institutions and leading companies outside of the higher-education industry from KPMG's database.

Most of these entities included with KPMG's database did not conduct continuous evaluation of their policies and procedures to the extent that LACCD has done over the years. As a result of ongoing efforts

and improvements to their SOPs, LACCD was able to attain a higher-than-average overall score when compared to their industry peers, most whom conducted the assessment knowing or suspecting that their processes needed improvement.

The SOPs' overall score is 3.37 of 4.0, which is a slight increase from 2019 when the score was 3.28. This year, all categories scored in the “monitored” or “optimized” range.



² Ratings shown for the Higher Education and Other Industries are based on KPMG's assessment of 100+ large capital projects and programs over the last 10 years. These ratings are for benchmarking purpose only.

Detailed Observations

The PMO has committed to continuously improving the Program SOPs. In line with this commitment, we noted certain areas of the SOPs where the District may benefit from making additional updates.

THEME 1 - There are sometimes gaps in the SOP processes and requirements.

OB 1. [Expenditures] The SOPs do not specify a requirement to capture lessons learned related to costs rejected for non-compliance with the Bond Cost Principles or other contractual requirements.

Cause: While the overall SOPs are already well developed, gaps in the SOPs are to be expected as they are continuously being re-evaluated and refined. In this case, the PMO had not yet include detailed requirements related to documentation of costs non-compliant with the Bond Cost Principles or how to incorporate these instances of non-compliance into "Lessons Learned."

Criteria: The requirements included within Closeout 1, Rev 4, Section 6 – Project Lessons Learned section of the SOPs requires that form CP-0380 be prepared and verified within 30 days of substantial completion.

Section 6 – Project Lessons Learned *"Closeout 1 Rev 4 - Section 6 Project Lessons Learned: Project lessons learned are collected from the CPT monthly throughout the project life cycle, from initiation to closeout, so that projects of similar size or scope may avoid common mistakes and improve delivery. Backup materials (for example, pictures, incident logs, change order copies, or emails) can be attached to the form to provide additional information. The CPT submits project lessons learned to the Planning & Support Services Department for verification within 30 days of SC using Form CP-0380."*

Condition: While the SOPs do not consistently describe how to capture lessons learned from costs rejected for non-compliance with the Bond Cost Principles or otherwise ineligible costs, the PMO does capture rejected costs via the Notice of Rejection form. None of the sampled rejected costs were caused by Cost Principal violations.

Effect: Failure to consistently capture lessons learned from costs rejected for non-compliance with the Bond Cost Principles or contractual requirements, may result in missed opportunities to continue to improve project compliance and financial management.

Recommendation: The PMO should consider revising the SOPs to include a requirement for documenting lessons learned from costs rejected for non-compliance with Bond Cost Principles or otherwise ineligible costs and implement a standardized tracking system to record these instances and integrate insights into future project planning and 'whitepaper' process.

Management Response: As standard practice the CPT reports on Lessons Learned throughout the project lifecycle, with additional reporting required for archival project closeout. This process is supported by multiple departments, including Finance and Accounting, which conducts quarterly meetings with CPT to address key issues.

To strengthen this process, Accounting will collaborate with Construction Support to review Lessons learned associated with Form CP-0140 (Notice of Correction or Rejection) and related remedial actions, incorporating insights into the Lessons Learned database.

Effective January 5, 2026, a meeting was held with the Finance and Accounting department to discuss process improvements and reinforce the importance of capturing Lessons Learned. On January 12, 2026,

communication was shared with the CPT to emphasize this during quarterly meetings. Additionally, on January 9, 2026, a meeting was held with Construction Support to review the new process for addressing non-compliance Lessons Learned related to CP-0140.

Finance and Accounting will continue quarterly meetings and highlight this initiative during the Q1 2026 update.

OB 2. [Schedule Management] The SOPs do not include a requirement for formal sign-off to support the “review & verification” of schedule variance reports.

Cause: The current SOPs do not define what “review and verified” entails, whether it requires a formal signature or other evidence of review and verification.

Criteria: Scheduling Rev 2 - Section 5.2 Schedule Variance Report; The SOPs require that schedule variance reports be reviewed and verified prior to transmittal.

Section 5.2 – Schedule Variance Report “Report will be reviewed and verified by the PM, CPD, and RPD, and transmitted to PMO Program Controls monthly.

Condition: The schedule variance reports require review and verification by the Project Manager, CPD, and RPD each month. This is normally accomplished at their regular monthly meetings. However, none of the eight samples selected for testing included any evidence of formal review or sign-off demonstrating that adequate review and verification took place.

Effect: Without clear requirements for formal signoffs, there may be uncertainty about whether schedule variance reports have been properly reviewed and verified.

Recommendation: The PMO should consider implementing a sign-off process to formally document the review and verification of schedule variance reports. These documentation requirements should be detailed in the SOPs.

Management Response: The CPTs follow monthly schedule update procedures that include multiple reviews and verifications between the schedulers, PM, CPD, and RPD. This process remains in effect, with monthly schedule updates continuing as usual. Moving forward, CPDs must formally sign off on final schedule updates before submission to the PMO.

Effective January 12, 2026, the PMO updated and issued the SOP to reflect this requirement. The PMO reinforced this process and clarified the CPD sign-off requirement during the Roundtable meeting on December 15, 2025, and an additional meeting was held with CPTs on December 10, 2025 to address monthly schedule updates and sign-off requirement.

OB 3. [Schedule Management] Contractor delays in submitting monthly schedule updates impacted timely PMO review of the project schedule.

Cause: Contractor penalties and consequences for failure to reliably perform contractual obligations were not sufficient to consistently drive timely contractor submission of schedule updates, as required by the SOPs.

Criteria: Scheduling Rev 2 - Section 4.4 Schedule Updates and Reviews; The SOPs require that scheduled updates be submitted on a monthly basis.

Section 4.4 – Schedule Updates and Reviews “According to the contract specifications and following submittal and acceptance of the preliminary construction schedule and baseline schedule,

the contractor submits monthly schedule updates that include the actual project status, the physical percent complete for each activity, and other criteria detailed in this SOP.

If the CPD determines that the schedule submittal does not reflect the actual project status, the CPD rejects submittal as unacceptable.”

Condition: The SOP requirement related to schedule updates was not met. Schedule updates are required to be submitted by the contractor and evaluated by the PMO on a monthly basis throughout the life of the project. One of the eight samples selected included a three-month gap, which occurred between the schedule updates from January to May due to late submissions by the contractor. This led to a three-month backlog of schedule reviews for the PMO, delaying the review process.

Effect: Delayed schedule updates from the contractor can impact overall project progress and timely completion of downstream milestones and deliverables. It may also lead to inaccurate reporting of project progress and missed opportunities to address critical schedule challenges as they occur.

Recommendation: The PMO should consider developing an action plan, including contractor performance evaluations, in order to help the PMO hold contractors accountable for timely compliance with contractual requirements and also implement more severe consequences for instances of contractor non-compliance.

Management Response: CPTs actively monitor contractors' monthly schedule submissions and manage related interactions. When contractors miss submissions, CPTs coordinate follow-up and, if necessary, enforce payment withholdings for non-compliance with contractual obligations.

At the Roundtable meeting on December 15, 2025 the PMO addressed enforcement of withholdings for contractor missed schedule submissions. The PMO is developing evaluation criteria to strengthen oversight of contractor adherence to contractual schedule submission requirements by Q4 2026.

OB 4. [Standard Operating Procedures] The SOPs do not define a framework for value engineering.

Cause: At the time of our field work, the SOPs had not been updated to fully describe requirements related to Value Engineering (VE) practices. Very few projects utilize VE, and it is not common practice at the District.

Criteria: Project Planning and Design Rev 2 – Section 4 – Value Engineering; The SOPs do not define a standardized method of tracking value engineering.

Section 4 – Value Engineering “*The PMO ensures that the CPT actively promote and apply VE due diligence beginning with programming and project criteria, continuing through the initial design phases of a project, and extending through to 50% Programming and Design documents. The CPD leads the VE process; other participating team members include end users (college administration), PMO estimator, RPT, and the architect and engineer of record and their consultants. The CPD owns and is responsible for the VE process and maintains the log. documenting VE items and cost savings.*

The following VE steps are led by the CPD:

- 1. Information/Definition: Gather information to better understand the project. Define the District's expectation, available funding, and critical functions to be achieved.*
- 2. Function Analysis: Analyze the project to understand and clarify the required functions.*
- 3. Creative Solution: Generate ideas on all the possible ways to accomplish the required functions and reduce unnecessary cost.*

4. *Evaluation: Synthesize ideas and concepts and select those that are feasible for development into specific value improvements.*
5. *Development: Select and prepare the best alternatives for improving value.*
6. *Presentation: Present the value recommendation to the project stakeholders.”*

Condition: SOPs related to VE activities are not fully described consistently with industry leading practices.

Effect: Without clearly described procedures related to VE, there may be inconsistent or inadequate documentation of VE related efforts, potentially resulting in incorrect reporting of savings and efficiencies.

Recommendation: The PMO should consider adding additional data points to track and monitor value engineering items and benefits in consistent manner. Some of the additional data points may include the following:

- VE category (design optimization, material optimization, scope reduction, delivery methods, innovation, etc.)
- Impact of VE exercise - impact on cost, schedule, quality, performance, etc.

Management Response: Value Engineering requirements are outlined in the SOP and include specific CPT responsibilities. To enhance the process, a standard Value Engineering tracking template has been developed and made available to CPTs.

Effective December 16, 2025, the template was shared with the CPT for immediate use. In addition, the PMO reinforced current SOP and new template requirement at the Roundtable meeting on December 15, 2025.

THEME 2 - There is one instance of non-compliance with the SOPs as currently written.

OB 5. [Project Closeout] Some of the required closeout documents were not consistently prepared and/or executed within timeframes required by the SOPs.

Cause: In two instances of projects reviewed, there were claims impacting final retention release and adherence to SOP specified time frames. There is no guidance in the SOPs describing exceptions to the currently specified 30- and 60-day requirements. Additionally, there was oversight from CPTs on timely submission of project lessons learned.

Criteria: Closeout 1 Rev 4 - Section 1.2 Substantial Completion and Section 6 Project Lessons Learned in the SOPs specifies that forms CP-0687 (Request to Release and/or Withhold Retention) and CP-0380 (Project Lessons Learned) have timeline requirements for which they must be prepared and completed.

Section 1.2 – Substantial Completion: Requires timely completion and submission of forms such as CP-0687 (Request to Release and/or Withhold Retention) within 60 days of substantial completion, and CP-0380 (Project Lessons Learned) within 30 days.

Section 6 – Project Lessons Learned: Statements indicate completion “within 30 days of project completion,” leading to interpretive differences between substantial and final completion dates.

Condition:

Inconsistent Timelines:

- **For two out of nine samples**, Form CP-0687 (Retention Release) was not completed within the 60-day requirement due to outstanding claims. Any changes to timeline requirements in the context of claims or other trigger events are not considered in the SOPs.
- **For six out of nine samples**, Form CP-0380 (Lessons Learned) was not completed within the 30-day requirements related to preparation and submission.

Reactive Documentation:

- **For four out of the six samples**, Lessons Learned documents received were compiled retrospectively in response to audit activities rather than as part of routine project execution, highlighting procedural gaps in the timely collection and documentation of project insights. The identical form dates indicate batch processing near audit periods rather than ongoing documentation, reflecting a potential risk in document authenticity.

Lack of Extension Procedures:

- Current SOPs do not have provisions for possible delays or extensions, such as resolving claims, which further exacerbates the issue of incomplete documentation within required timeframes.

Effect: Delay in the preparation and completion of the identified forms may impact project closeout timeline and collection and documentation of project insights (Lessons Learned).

Recommendation: The PMO should consider implementing active tracking and collection of required documentation to improve transparency and prevent delays and late completion. In addition, the PMO should define acceptable exceptions to established timelines in the context of claims or other trigger events that can potentially delay the closeout process. Additionally, the PMO should consider clarifying the SOPs to document any other exceptions to the timeline requirements.

Management Response: The Program's closeout SOP outlines requirements for retention release and includes the CP-0687 retention form, which requires detailed verification by multiple parties. The Risk Department plays a key role in pre-closeout SC and FC documentation with the CPT and verifies compliance at substantial and final completion. The SOP will be updated to clarify CPT's obligation to engage Risk for retention release at substantial completion.

At the December 15, 2025, roundtable meeting, the PMO reinforced Lessons Learned requirements as defined in the SOP. On 12/18/2025, Risk Management was briefed on additional closeout documentation tracking. As of January 12, 2026, the PMO updated the SOP and communicated changes to the CPTs.

DRAFT

THEME 3 - There are opportunities to further clarify SOP requirements

OB 6. [Project Closeout] Certain closeout requirements and responsibilities are not consistently described within the Project Closeout and Risk Management SOPs.

Cause: The narrative descriptions of closeout responsibilities and the corresponding process flow maps have not been fully reconciled.

Criteria: Several sections across the Closeout and Risk Management SOPs are not aligned or consistent with one another, as they should be. They include:

Closeout 1 Rev 4 - Project Closeout; Final Completion Process:

“Complete forms for this stage -

CC-0135 Final Project Closeout & Archiving Checklist

CC-0135-A Closeout Doc Box Inventory List”

Closeout 1 Rev 4 - Project Closeout; Final Completion Process:

“CP-0191 (Payment Certification)

Not always provided by GC at substantial completion

Not always provided by GC at notice of completion, acceptance.”

****There is no supporting narrative in the SOPs that details the requirements for these documents. ****

Closeout 1 Rev 4 - Section 6 Project Lessons Learned:

“Backup materials (for example, pictures, incident logs, change order copies, or emails) can be attached to the form to provide additional information. The CPT submits project lessons learned to the Planning & Support Services Department for verification within 30 days of SC using Form CP-0380.”

Risk Management Rev 1 - Section 2.1 Risk Register:

“The Risk Register is a tool that is used to record, analyze, prioritize, track, and report risk data to appropriate stakeholders. The RMT has implemented a centralized system for all Risk Owners (CPD, CPLT, and PMO Department Leads) to manage their respective risk registers.”

Condition:

In the SOPs, there are several inconsistencies between the narratives and process flow maps.

Document Requirements - The process flow maps referenced the following documents in the process flow maps but provide no additional detail in the SOPs that describe their purpose and requirements:

CC-0135 (Final Project Closeout & Archiving Checklist)

CC-0135-A (Closeout Doc Box Inventory List)

CC-0132 (Facilities/Ops Startup Closeout Checklist)

CP-0191 (Payment Certification)

Lessons Learned Form: The narrative stated the lessons learned form should be **completed within 30 days of the Project Completion Date**. However, the SOPs stated the form should be **submitted for verification within 30 days of substantial completion** using form CP-0380. This discrepancy could lead to misinterpretation.

The SOPs include College Project Leadership Team (CPLT) as one of the risk owners, however, CPLT's responsibilities are not clearly defined.

Effect: Inconsistent verbiage can result in ambiguity and misinterpretation of SOP requirements which can potentially impact document development, review, and approval process.

Recommendation: The PMO should consider updating the SOPs so that all relevant forms and processes are adequately explained in both narrative and flow diagrams for clarity.

Management Response: Effective January 12, 2026, the PMO updated and communicated changes to Program staff, reflecting SOP updates to incorporate workflow information into the narrative section of the SOP.

DRAFT

APPENDIX A - SUMMARY OF OBSERVATIONS

| 1. There are sometimes gaps in the SOP processes and requirements. | | | |
|--|---|--|--|
| No. | Audit Observation | Risk | Recommendation |
| OB 1 | [Expenditures] The SOPs do not specify a requirement to capture lessons learned related to costs rejected for non-compliance with Bond Cost Principles or other contractual requirements. | Missed opportunities to improve project compliance and financial management due to inadequate documentation of rejected costs. | Revise SOPs to include documentation requirements for lessons learned from costs rejected for non-compliance with Bond Cost Principles. Implement a standardized tracking system. |
| OB 2 | [Schedule Management] The SOPs do not include a requirement for formal sign-off to support the review & verification of schedule variance reports. | Uncertainty about whether schedule variance reports have been properly reviewed and verified due to lack of formal signoffs. | Implement a sign-off process to document the review and verification of schedule variance reports, detailing these requirements in the SOPs. |
| OB 3 | [Schedule Management] Contractor delays in submitting monthly schedule updates impacted timely PMO review of the project schedule. | Delayed contractor schedule updates can impact project progress and completion of milestones, and lead to inaccurate reporting of progress. | Develop an action plan with performance evaluations and more severe consequences for non-compliance so that timely contractor submission of schedule updates. |
| OB 4 | [Standard Operating Procedures] The SOPs do not define a framework for value engineering. | Inadequate documentation of Value Engineering efforts resulting in incorrect reporting of savings and efficiencies. | Add data points to track Value Engineering items consistently, including category, impact on cost, schedule, quality, etc. |
| 2. There is one instance of non-compliance with the SOPs as currently written. | | | |
| OB 5 | [Project Closeout] Some required closeout documents were not consistently prepared and/or executed within timeframes required by the SOPs. | Delay in preparation and completion of required forms (CP-0687, CP-0380) impacting project closeout timelines and documentation of insights. | Implement active tracking and collection of documentation to prevent delays. Define exceptions to timelines for claims or trigger events. Clarify SOPs regarding timeline requirements and exceptions. |
| 3. There are opportunities to further clarify SOP requirements. | | | |
| OB 6 | [Project Closeout] Certain closeout requirements and responsibilities are not consistently described within the Project Closeout and Risk Management SOPs. | Inconsistent verbiage can result in ambiguity and misinterpretation of SOP requirements which can potentially impact document development, review, and approval process. | Update SOPs so that forms and processes are explained clearly in both narrative and flow diagrams for consistent understanding. |

APPENDIX B - LIST OF ACRONYMS

| Acronym | Definition |
|------------|--|
| A&E | Architect/Engineer |
| AICPA | American Institute of Certified Public Accountants |
| BOT | Board of Trustees |
| BuildLACCD | Los Angeles Community College District Program Management Office, a blended program management team consisting of Jacobs, other consultants, and members of the District |
| CFE | Chief Facilities Executive |
| CPD | College Project Director |
| CPLT | College Project Leadership Team |
| CPT | College Project Team |
| DSA | Division of the State Architect |
| EFT | Electronic Fund Transfer |
| ETC | Estimate to Complete |
| FY | Fiscal Year |
| GAO | Government Accountability Office |
| GAGAS | Generally Accepted Government Auditing Standards |
| GEO | Geographic Information System (assuming "Geo" refers to GIS) |
| KPMG | KPMG LLP |
| LACCD | Los Angeles Community College District |
| NTP | Notice to Proceed |
| O&M | Operation and Maintenance |
| PMO | Program Manager or Program Management Office |
| RPD | Regional Program Directors |
| SC | Substantial Completion |
| SOPs | Standard Operating Procedures |
| VE | Value Engineering |
| WBS | Work Breakdown Structure |
| A&E | Architect/Engineer |

APPENDIX C - SUMMARY AND STATUS OF FY2023-24 OBSERVATIONS AND RECOMMENDATIONS

| The SOPs are not consistently followed due to differing interpretation and application of the PMO's requirements. | |
|---|--|
| Prior Observation and Recommendations | Status Update |
| <p>OB 1. [Labor Compliance]: District Contractors did not consistently submit CPRs and/or the PMO did not follow up with a discrepancy notice if CPRs were late or missing, as required.</p> <p>Recommendation: PMO should consider revising the current SOPs to include the requirement to track and send reminder notifications in advance of the ten calendar days of week ending date to proactively remind contractors to submit their CPRs.</p> | <p>Remediation: Labor Compliance Analysts reviewed Certified Payroll Records for completeness and compliance, with the Build Program enforcing a stricter 10-day submission requirement, which contractors have occasionally failed to meet but subsequently corrected. Effective January 8, 2025, updated procedures clarify the review process for late CPRs, with continued emphasis on timely submission and communication of discrepancies.</p> <p><i>Internal Audit verified PMO implemented this action.</i></p> |
| <p>OB 2. [Cost Forecasting]: Budget re-baselining were not performed at major milestones across the project lifecycle for DB and DBB projects, as required by the SOPs.</p> <p>Recommendation: The PMO should consider updating the SOPs to specify the conditions that CPTs must meet to qualify for requesting additional time or exceptions to performing a re-baseline at major milestones. Additionally, the PMO should clarify that exceptions apply to both DB and DBB projects.</p> | <p>Remediation: Most White Papers sampled were dated before the audit period, preceding the PMO's enhanced reviews and controls. The PMO introduced an exception memo for projects and a new tracking mechanism in 2023, with ongoing enforcement and updates to clarify re-baseline requirements, effective January 8, 2025.</p> <p><i>Internal Audit verified PMO implemented this action</i></p> |
| <p>OB 3. [Procurement]: The current level of information included within the responsiveness checklist (utilized to determine responsiveness of prospective bidders) does not align with SOP requirements. It is also not consistently completed for all bidders and proposers.</p> <p>Recommendation: PMO should consider refining the criteria within the SOPs for each progressive step and incorporate within the formal responsiveness checklist. Include provisions for review and escalation to the Director of Contracts for approval, if necessary, and add additional controls that require Contract Administrators to complete the checklist for all bidders and proposers.</p> | <p>Remediation: The PMO complies with statutory procurement requirements, noting that responsiveness checklists are not needed for Professional Service Task Orders and are only required for the lowest responsive bidder among Prequalified Service Providers. Effective January 8, 2025, the SOP was updated to clarify checklist requirements and testing implementation, with reinforcement of these updates at a Contracts Department meeting on January 10, 2025.</p> <p><i>Internal Audit verified PMO implemented this action.</i></p> |

The SOPs are not always clear and there are opportunities to clarify the SOP requirements across two audit scope areas.

| Prior Observation and Recommendations | Status Update |
|---|---|
| <p>OB 4. [Cost Forecasting]: Documentation required by the SOPs to support required budget and estimating activities is either incomplete or missing.</p> <p>Recommendation: The PMO should consider establishing a process to regularly re-evaluate and update the SOP documentation requirements, incorporating feedback from CPTs so that alignment with current practices. Additionally, routine training sessions should be scheduled so that all CPTs are aware of the program standards and the PMO's expectations for required documentation.</p> | <p>Remediation: Most White Papers sampled were dated before the audit period and the PMO's update to the template on August 30, 2023, which clarified required fields and consolidated templates. Effective January 8, 2025, the SOP and White Paper were updated to distinguish between required and as-applicable documentation, with ongoing quarterly review sessions beginning in Quarter 2 of 2025 to reinforce these updates.</p> <p><i>Internal Audit verified PMO implemented this action.</i></p> |
| <p>OB 5. [Labor Compliance]: There is a lack of documentation regarding the methodologies used by the LCD for sample testing of CPRs and the frequency at which project site visits were scheduled.</p> <p>Recommendation: The PMO should consider coordinating with the LCD to update the SOPs to incorporate and standardize the practices that analysts use to review CPRs and conduct on-site visits. This will help so that LCD analysts fully understand and are able to meet the PMO's expectations for monitoring compliance of projects subject to labor laws.</p> | <p>Remediation: Labor Compliance Department (LCD) reviews Certified Payroll Records for completeness and compliance, issuing discrepancy notices if corrections are not made, and follows internal procedures for sampling CPRs not captured by the tracker. Effective January 8, 2025, the SOP was updated to reference Legacy Labor Compliance Programs under 8 CCR § 16432 and clarify practices for CPR review and on-site data verification, with reinforcement of these updates during a review session on December 23, 2024.</p> <p><i>Internal Audit verified PMO implemented this action.</i></p> |

There are opportunities to address current gaps across multiple scope areas and align the SOP requirements to reflect both current and best practices.

| Prior Observation and Recommendations | Status Update |
|--|---|
| <p>OB 6. [Claims Management]: An event triggering a claim is not clearly and consistently defined in the SOPs and the contractor's contractual agreement.</p> <p>Recommendation: The PMO should consider updating the current SOP requirements related to the triggering events for a claim to align with a standard set of general conditions or update both to reflect the same definition.</p> | <p>Remediation: Project contract documents define the claims process, requiring the CPT to manage construction and involve the PMO for claims procedures, with the SOP providing a general roadmap but not replacing contract specifics. Effective January 8, 2025, the SOP was updated to clarify the claims roadmap and reference contract documents, with reinforcement of these updates at a Risk and Disputes Department meeting on December 16, 2024.</p> <p><i>Internal Audit verified PMO implemented this action.</i></p> |
| <p>OB 7. [Claims Management]: The current SOP requirements supporting the claims management and dispute resolution process do not align with current practices.</p> <p>Recommendation: The PMO should consider updating the current SOP requirements to incorporate standards and defined procedures that reflect the RM Team's current practices in managing and resolving claims. Additionally, considering that each project may have unique terms and conditions, the SOPs should include a process for approving exceptions to standard requirements.</p> | <p>Remediation: The Risk department manages document tracking for claims, including privileged documents, and will add a claims document summary detailing required documents, with consultation from the General Counsel for privileged documents. Effective December 16, 2024, the PMO implemented this claims document summary and reinforced updated requirements at a Risk and Disputes Department meeting.</p> <p><i>Internal Audit verified PMO implemented this action.</i></p> |
| <p>OB 8. [Procurement]: The SOP requirements for sole source justification of professional services contracts does not clearly define a standard set of criteria that must be met to justify sole source.</p> <p>Recommendation: The PMO should consider updating the current SOP requirements and associated Justification for Waiver from Procurement Policy form to include a standard set of criteria and tests for Contract Administrators and C&PTs to utilize and document the basis for selecting the sole source option over competitive bid.</p> | <p>Remediation: The PMO introduced the Justification Waiver Form so that control and documentation for pre-qualified vendors, with the District adopting it for those already under contract. Effective January 8, 2025, the SOP was updated to clarify the form's criteria, with reinforcement of these updates planned for the January 2025 Roundtable meeting.</p> <p><i>Internal Audit verified PMO implemented this action.</i></p> |