

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

Fiscal Year Ended June 30, 2021

December 15, 2021

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December 15, 2021

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

Dear Mr. Smith:

This final 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, 2020 through June 30, 2021 and our results are as of the date of this report.

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

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

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

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

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

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

KPMG LLP

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EXECUTIVE SUMMARY

This performance audit was conducted in accordance with Generally Accepted *Government Auditing Standards (GAGAS)* as a requirement for construction bond programs under California Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Proposition 39). Our work for the year was performed between June 2021 and October 2021.

Objective

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

The objective of this performance audit was to understand certain aspects of the Los Angeles Community College District's (LACCD or District) management of the bond program (Program) and bond program expenditures in accordance with the requirements of Proposition 39. Total audited aggregate bond expenditures were \$220,202,257 during the fiscal year ended June 30, 2021.

Scope

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

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

- **Project Closeout:** KPMG audited District construction project closeout activities including receipt of operation & maintenance (O&M) manuals, warranties, commissioning, financial and contractual closeout, and project document archiving. We focused on compliance with District *SOPs* for close-out activities taking place during the audit period as well as the overall status of project closeout for the Program.
- **Procurement Management:** KPMG evaluated the procurement process for the bond program for contracts awarded and/or negotiated in the current audit period related to Furniture, Fixtures & Equipment (FF&E). This is an area the performance audit has not focused on in the prior years. KPMG conducted detail testing on a sample of contracts for compliance with key procurement process steps and requirements defined in the *SOPs*. In addition to evaluating key steps of the procurement process we assessed receipt of assets and asset tagging.
- **Payment Processing & Administration (PP&A):** KPMG assessed compliance with the District's current *SOPs* relating to payment processing and administration. This included, but was not limited to, assessing appropriate approval and reviewing activities conducted by BuildLACCD employees for invoices processed during the performance audit period.

- **Quality Control & Inspection (QC&I), Environmental Health and Safety (EH&S):** KPMG assessed the processes on individual construction projects related to quality control & inspection of construction work, specifically related to the quality of workmanship and materials. Additionally, KPMG audited compliance with Environmental Health & Safety (EHS) requirements as specified in the *SOPs*.

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, we did not identify any significant control deficiencies within the context of the audit, and we did not identify any high or medium 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 and Measure CC. Based on our audit scope this year, we identified opportunities for improvements related to updates to the *SOPs* and current contract language.

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.

Our single observation is related to improving the *SOPs*, a low priority observation. All recommendations related to this observation have been implemented by management.

Improvements to the *SOPs* and contract language (Low)

1. There is room to clarify the SOP language in the following areas:

- a. Invoice payment date requirements based on compliant invoice (PP&A);
- b. Retention scope and guidance (PP&A);
- c. Safety procedure updates for non-significant injuries (EH&S);
- d. Safety procedure updates for non-compliance regarding incident reporting (EH&S);
- e. Requirements to provide an explanation of non-applicable close-out steps (Project Closeout).

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

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 to ensure that funds have been expended only on the specific projects listed.

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

Total aggregate bond expenditures (audited) were \$220,202,257 during the fiscal year ended June 30, 2021; \$1,372,897 (Proposition A), \$2,759,221 (Proposition AA), \$116,169,846 (Measure J) and \$99,900,293 (Measure CC).

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

College Project Team (CPT)

Each college location has a College Project Team (CPT) in place. The CPTs are responsible for performing services to oversee college master planning, environmental impact studies, programming, design, construction, 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 (RPDs)

Based on prior years' audit results, the CPTs requested a conduit for their communications and questions to the PMO. The PMO established the role of the Regional Project Director (RPD) in 2017 as part of the

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

AUDIT SCOPE AND METHODOLOGY

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

This performance audit was conducted in accordance with *Generally Accepted Government Auditing Standards (GAGAS)* issued by the Comptroller General of the United States and as a requirement for construction bond programs under California Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act (Proposition 39)*. Our work for the year ended June 30, 2021 was performed during the period of June 3, 2021 through the date of this report.

Methodology

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

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

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

Scope

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

1. Project Closeout

Our audit objective related to project closeout included assessing the level of compliance with *SOPs* and contract requirements by CPTs, PMO and District personnel. We audited a sample of projects either archived or at various stages of project closeout during the audit period. Our audit procedures included the following:

- a) Interviewed key Program personnel with specific knowledge related to the project closeout approval process.
- b) Evaluated the *LACCD Bond Program Standard Operating Procedures (SOPs), Project Closeout (CP 3.0), Revised February 5, 2021*.
- c) Determined if sampled project closeout packages complied with *SOP* requirements and were supported with required documentation, and archived as follows:

- i. Occupancy and Safety Checklist (CC-1150)
 - ii. Certificate of Substantial Completion (CC-0110)
 - iii. Final Completion Punch List (CC-0010)
 - iv. Request to Release and/or Withhold Retention (CP-0684)
 - v. Project Substantial Completion Facilities/Ops Startup Closeout Checklist (CC-0132)
 - vi. Request for Notice of Completion (CC-0115)
 - vii. Final Project Closeout and Archiving Checklist (CC-0135)
 - viii. Project Lessons Learned (CP-0380)
 - ix. O&M Manuals and Warranties
 - x. As-Built Drawings
- d) Assessed the Project Closeout archiving process and the Program's compliance with the *SOPs*.
 - e) Evaluated supporting documentation included with project closeout packages for completeness.

2. Procurement Management (Furniture, Fixture, & Equipment)

Our audit objective related to procurement management included assessing the level of compliance with *SOP* Furniture, Fixture, and Equipment (FF&E) procurement process requirements by CPTs, PMO and District personnel. Our audit focused on FF&E invoices and contracts executed during the audit period. Our audit procedures included the following:

- a) Interviewed key program personnel with specific knowledge of the procurement process.
- b) Evaluated the *SOPs, Contracts (CP 8.0), Revised July 9, 2021*.
- c) Evaluated the *District-Wide Guidelines on Asset Capitalization and Low Value Assets (revised December 22, 2011)*.
- d) Verified that sampled vendor contract awards were determined by the combined pricing for the benchmark items and the highest catalog discount, along with other criteria.
- e) Verified that sampled vendors made remaining catalog items available at discounted costs.
- f) Determines if sampled vendor contracts had received and documented Board of Trustees (BOT) Proposed Board Actions (PBA) approvals.
- g) Verified that sampled invoices were reviewed and confirmed for purchased assets during the asset delivery process by CPTs.
- h) Evaluated sampled invoices and associated asset deliveries for compliance with the *District-Wide Guidelines on Asset Capitalization and Low Value Assets*.

3. Payment Processing & Administration (PP&A)

Our audit objective related to cost and financial management included assessing the level of compliance with *SOP* payment, processing, and administration requirements by CPTs, PMO and District personnel. Our audit focused on vendors invoices executed during the audit period. Our audit procedures included the following:

- a) Interviewed key program personnel with a specific knowledge of payment, processing, and administration process
- b) Evaluated the *SOPs, Program Management Procedure – Finance and Accounting Mgmt. (PMA 7.0, revised February 27, 2020)*
- c) Verified that sampled invoices were calculated accurately and without mathematical errors.
- d) Verified that sampled invoices contained costs from the invoice period and submitted timely by the contractor.
- e) Verified that sampled invoice costs were incurred pursuant to correct project reference (project name/project code)

- f) Verified that sampled invoices have been reviewed and contains appropriate signatures required for authorization by the CPT and PMO.
- g) Determined if sampled invoices were appropriately authorized and supported by appropriate documentation from the contractor and subcontractor.
- h) Verified that sampled invoices contain lien waivers (conditional and unconditional) as required per contract documents.
- i) Verified that sampled invoices deducted retention of 5% from monthly progressive payments as required per contract documents.
- j) Verified that payment amount matched invoice amount for sampled invoices.
- k) Verified that sampled vendors were paid within 30 days after receipt of an *Application for Payment* was properly prepared and timely submitted by the Design-Builder.
- l) Evaluated the *FF&E Invoice* submittal and approval process and the Program's compliance with the *SOPs*
- m) Evaluated the *District-Wide Guidelines on Asset Capitalization and Low Value Assets (revised December 22, 2011)*.

4. Quality Control & Inspection (QC&I), Environmental Health and Safety (EH&S)

a. QC&I

Our audit objective related to quality control and inspection included evaluating compliance with key quality and construction requirements in the *SOPs*. Our audit focused on a sample of projects spread across numerous campuses and project completion statuses. Our audit procedures included the following:

- a) Interviewed key program personnel with a specific knowledge related to the quality control and inspection process.
- b) Evaluated the LACCD bond program *SOPs, Construction Management (CP 1.0, revised August 4, 2020)*
- c) Verified that sampled projects developed a quality assurance plan and included criteria and processes to ensure and verify that projects meet specific quality objectives throughout the project lifecycle.
- d) Verified that sampled projects have approved project specification packages.
- e) Verified that sampled projects have a submittal log developed and kept up to date based on project current state.
- f) Verified that sampled projects have a master list of inspections developed and kept up to date based on project current state.
- g) Verified that sampled projects have an ongoing inspections log developed and kept up to date based on project current state.
- h) Verified that sampled projects have a lessons learned report(s) has been completed (if applicable based on project status).
- i) Verified that sampled projects have punch lists developed and kept up to date based on project current state.
- j) Verified that sampled projects have Division of the State Architect (DSA) inspection reports completed and copies of each report are kept by the District.
- k) Verified that sampled projects have specialty agent inspection reports completed and copies of each report are kept by the District.
- l) Verified that sampled projects have commissioning agent inspection reports completed and copies of each report are kept by the District.
- m) Verified that sampled projects have a quality program performance report(s) completed.
- n) Verified that sampled projects have a CPT key performance index (KPI) performance report.

- o) Verified that sampled projects have a program process annual audit report(s) completed.
- p) Verified that sampled projects have a quality council report(s) completed.
- q) Verified that sampled projects have an assessment status report(s) completed.
- r) Verified that sampled projects have a corrective action summary report(s) has been completed.
- s) Verified that sampled projects have meeting minutes being kept as required, and quality and inspection topics are covered and updated.

b. EH&S

Our audit objective related to project control and risk management (environmental health and safety) was to evaluate compliance with key documents and processes as required per the SOP's. Our assessment focus on a selection of projects spread across numerous campuses and project completion statuses, as well as a focus on the one recordable safety incident that occurred within the audit period. Our audit procedures included the following:

- a) Interviewed key program personnel with a specific knowledge related to safety processes.
- b) Evaluated the LACCD bond program *SOPs, Safety (CP 4.0, revised March 8, 2019)*.
- c) Documented the process for safety incident report by Build-LACCD.
- f) Verified that contractors in our samples have completed the necessary Safety and Site Orientation Packages, including the following documentation:
 - i. *PHSEP Form CPS-0427*
 - ii. Contractor's Injury Illness and Prevention Program (IIPP) and Contractor's Management Statement of Policy
 - iii. Hazard Communication Program and documentation of employee training
 - iv. Fire Protection and Prevention Program
 - v. Proof of Owner's Construction Insurance Program (OCIP) enrollment
- d) Verified that sampled projects have completed *Form CPS-0430 Monthly Project Contractor Safety Performance Summary* on a monthly basis for all contractors.
- e) Verified that sampled projects have completed Monthly Safety Report on a monthly basis for all contractors.
- f) Verified that sampled projects have completed safety audit reports.
- g) Assessed the compliance of the recordable safety incident reporting against SOP requirements, including:
 - i. Verified *Form CPS-0460* was completed within 24 hours of incident.
 - ii. Verified *Form CPS-0422* was completed within 24 hours of incident.
 - iii. Verified the Insurance Claim Form was completed within 24 hours of incident if the injury/incident was deemed significant incident/severe injury.
 - iv. Verified OSHA notification by contractor of the incident if the injury/incident was deemed significant incident/severe injury.
 - v. Verified *Form CPS-0420* was completed within 72 hours of incident.
 - vi. Verified a lessons learned report was completed.
 - vii. Verified *Form CPS-0440* was completed.
 - viii. Verified *Form CPS-0405* was completed if any non-compliance was observed by the CPT/RSM during the inspection reporting process.

AUDIT RESULTS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

A bond program of the size and complexity like LACCD's, requires an adequate Program internal control structure in place. A Program's policies and procedures help create an internal control framework for an organization. It is this internal control framework that management will rely upon and that will help ensure the organization's objectives are being met. Well-written policies and procedures also allow employees to clearly understand their roles and responsibilities within predefined limits. LACCD's policies and procedures for the bond program are included with 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. To continue the ongoing improvement of *SOPs*, in this year's audit we have noted some areas related to *SOPs* where the District can continue to make improvements.

1. There is room to clarify the SOP language in the following areas:

- a) Invoice payment date requirements based on compliant invoice (PP&A);
- b) Retention scope and guidance (PP&A);
- c) Safety procedure updates for non-significant injuries (EH&S);
- d) Safety procedure updates for non-compliance regarding incident reporting (EH&S);
- e) Requirements to provide an explanation of non-applicable close-out steps (Project Closeout).

Cause: The root cause for this observation are underlying inconsistencies between *SOPs* and current state practices. *SOPs* need continuous refinement to keep these documents consistent with current state practices and to maintain effective and efficient controls.

1a) Invoice payment date requirements based on compliant invoice

Criteria: The language in the Multiple Award Task Order Contractor (MATOC) Contracts, *SOPs* and supporting documentation should clearly establish requirements for vendor payments based on "compliant" invoices received.

Condition: Per MATOC Contract clause 5.4 "*Payment shall be made within 30 days after (a) receipt of CONSULTANT's invoice or (b) date payment is due, whichever is later.*" It appears the contract language is unclear regarding the invoice status that triggers the 30 day payment cycle i.e. whether 30 day cycle starts when CPT receives pencil or draft invoice for review or does it start when CPT team's review accepts invoice as compliant and approves for payment.

The audit identified samples that appear non-compliant with the 30 day requirement, however, upon discussion with PMO and CPT, it appears the payments were compliant as the draft invoice was rejected and payment was not approved until a compliant invoice was submitted by the vendor.

Effect: In the absence of clear language associated with the status of the invoice (i.e. draft, compliant, etc.) triggering the net 30-day requirement, the contractor may raise a concern around delayed payments, which can potentially result in unexpected legal and financial exposure for LACCD.

Recommendation: *SOP* language associated with various contract types, including professional services, design-build, MATOC, PQSP, design-bid-build, and others should be updated as necessary to clearly outline the timeframe for invoice payments based on the invoice status. *SOPs* and associated forms should be updated to note that payments shall be made within 30 days after receipt of compliant invoice.

Management Response: PMO formalized and updated the *SOP* and Forms CP-0197 - Payment Certification and CP-0191- Payment Certification were completed and issued to the BuildLACCD Program on November 2021.

1b) Retention scope and guidance

Criteria: The *SOPs* should clearly establish requirements and provide guidelines or examples to support implementation of retention clause.

Condition: The *SOPs* do not include guidelines or requirements for applying retention. Per the Professional Services Contract section 5.2.1, *“The District may retain five percent (5%) of each progress payment as it falls due to ensure performance of all work covered by this Agreement. All undisputed retention amounts withheld from the CONSULTANT’s progress payments will be paid to the CONSULTANT, in compliance with Civil Code Section 3320, less any with holds as permitted by law or this Agreement...”* However, it appears this clause is not consistently implemented on projects.

Effect: In the absence of requirements and guidelines around the application of retention clause, it appears the onus rests on the CPT to decide whether a particular invoice/project is expected to withhold retention. Given the lack of clarity, the application of retention may be based on previous industry experience of CPT decision-makers, resulting in inconsistent practices across projects.

Recommendation: The *SOP* language should be updated to provide criteria and guidance related to retention application, specifically which projects need to hold retention, and which do not. Projects may be prioritized for retention based on factors such as size, dollar value, risk and complexity, number of vendors, subcontractor experience profile, etc.

Management Response: A new section for Retention was added in the Contracts *SOP*, completed and issued to the BuildLACCD Program on November 2021.

1c) Safety procedure updates for non-significant injuries

Criteria: The *SOPs* should present clear and differentiated process steps for significant and non-significant injuries/incidents.

Condition: Currently, within SOP-25 Safety the SOP CP 4.0 Attachment 3: Safety Incident Reporting Process for Personal Injuries (Contractor), Rev. 1, 03/06/2019 (page 27), process flow chart language related to incident reporting includes the same procedure regardless of severity or nature of the incident. It also appears that SOP-25 Safety does not include definitions for various incidents and injury types (near misses, non-significant/non-severe, severe/significant).

Effect: In the absence of clear definitions for incident/injury types, safety reporting inconsistencies may occur due to incorrect categorization of the incident/injury being reported. Inconsistent safety reporting may result in OSHA violations and/or sanctions, vendor/personnel injury related legal issues, unexpected financial and reputational exposure, etc.

Recommendation: *SOP-25 Safety* language and the *SOP CP 4.0 Attachment 3: Safety Incident Reporting Process for Personal Injuries (Contractor), Rev. 1, 03/06/2019 (page 27)* process flowchart should be updated to include an evaluation step to address the nature of the incident/injury. For example, significant/severe versus non-significant/severe.

SOP-25 Safety language should be updated to provide detailed definitions of a significant injury/severe injury, non-significant incident/non-severe injury, and near misses in order to clearly identify which

action should be taken in the proposed process step above. Definitions should align with industry/OSHA standards.

Management Response: SOP updates were completed and issued to the program in October 2021.

1d) Safety procedure updates for non-compliance regarding incident reporting

Criteria: The SOPs should include process steps for completing non-compliance forms and communication when appropriate within the incident reporting process.

Condition: Within SOP 25-Safety there appears to be a Non-Compliance SOP CP 4.0 Attachment 2: Safety Inspection and Non-Compliance Process, Rev. 1, 01/23/2019 (page 26) process flow chart which requires RSM/CPT to complete CPS-0405 (Notice of Safety Non-Compliance) form. However, this flowchart is not aligned/connected to the incident reporting flowchart. If a safety incident, or the associated reporting, is found to be non-compliant, it does not appear that completing Form CPS-0405 is a part of the incident reporting process.

Effect: In the absence of clear directive to review an incident reporting process for non-compliance, safety reporting inconsistencies may occur, which may result in OSHA violations and/or sanctions, vendor/personnel related legal issues, etc.

Recommendation: The SOP language should be updated regarding process flow CP 4.0 Attachment 3: Safety Incident Reporting Process for Personal Injuries (Contractor).

Prior to the end of the process (CP 4.0 Att. 3), a decision step should be added to determine if non-compliance was observed: If no, the process should end. If yes, the process should reference the process flow CP 4.0 Attachment 2: Safety Inspection and Non-Compliance Process.

Management Response: SOP updates were completed and issued to the program in October 2021.

1e) Project closeout policies and procedures and associated checklists

Criteria: Forms and templates required to facilitate the implementation of SOP requirements should provide clear direction to fill in information to minimize ambiguity and inconsistent documentation.

Condition: Per SOP 24-Project Closeout, the Final Project Closeout and Archiving Checklist Form CC-0135 is required for project closeout packages. Within Form CC-0135, it appears there are no requirements to provide an explanation if the respondent chooses a 'N/A' option for a particular form.

Effect: Absence of a requirement to provide backup documentation and/or reasoning for a form categorized as "N/A" within Form CC-0135, can potentially result in oversight of required information/forms and inconsistent project closeout packages.

Recommendation: The SOP language should be updated to require an explanation should a respondent chooses "N/A" as an option within the Final Project Closeout and Archiving Checklist Form CC-0135.

Form CC-0135 Final Project Closeout and Archiving Checklist should be updated to include a short-answer area for explanations of forms that are "N/A".

Management Response: Validation process for N/A's is currently taking place between CPT and PMO informally. PMO formalized and updated Form CC-0135 and the SOPs and issued to the Program in October 2021.

APPENDIX A - SUMMARY OF OBSERVATIONS

1. There is room to clarify certain contract and SOP language in the following areas:			
No.	Audit Observation	Risk	Recommendation
1A	<p>PP&A: Invoicing and Payment Sample Contract</p> <p>Per Contract clause 5.4 Invoices “Payment shall be made within 30 days after (a) receipt of CONSULTANT’s invoice or (b) date payment is due, whichever is later.”, it appears the contract language is unclear regarding the invoice status that triggers the 30 day payment cycle i.e. whether 30 day cycle starts when CPT receives pencil invoice for review or does it start when CPT team’s review accepts invoice as compliant and approves for payment.</p>	<p>In the absence of clear language associated with the status of the invoice (i.e. draft, compliant, etc.) that triggers the net 30 requirement, the contractor may raise a concern around delayed payments, which can potentially result in unexpected legal and financial exposure for LACCD.</p>	<p><i>SOP</i> language and forms should be updated to clearly outline the time frame for invoice payments based on the invoice status. Update should note that payments shall be made within 30 days after receipt of compliant invoice.</p> <p><i>SOP</i> updates should be socialized and referenced within the Professional Services contracts</p>
1B	<p>PP&A: Retention Sample Contract</p> <p>Per Contract clause 5.2.1 Payment Retention "The District may retain five percent (5%) of each progress payment as it falls due to ensure perfection of all work covered by this agreement." This language is broad in scope and provides no guidance or examples of scenarios where this retention may be applied. It appears, the contract puts the onus on CPT to determine if retention should be withheld.</p>	<p>In the absence of requirements and guidelines around the application of retention clause, it appears the onus rests on the CPT to decide whether a particular invoice/project is expected to withhold retention. Given the lack of clarity, the application of retention may be based on previous industry experience of CPT decision-makers, resulting in inconsistent practices across project/college/district.</p>	<p><i>SOP</i> language should be updated to provide guidance regarding retention application, specifically which projects need to hold retention, and which do not. Projects may be prioritized for retention based on factors such as size, dollar value, risk and complexity, number of vendors, subcontractor experience profile, etc.</p> <p>Guidelines should cover criteria for holding retention, roles and responsibilities, and execution through contractual language.</p> <p>Please note that no changes should be made to contract language</p>

1. There is room to clarify certain contract and SOP language in the following areas:			
No.	Audit Observation	Risk	Recommendation
1C	<p>Safety: Non-significant injuries</p> <p>SOP 25-Safety includes process flows for reporting incidents resulting in significant/severe injuries and incident resulting in near misses, however, it appears the process is unclear regarding reporting of incidents resulting in non-significant/non-severe injuries.</p>	<p>In the absence of definitions for incident/injury types, safety reporting inconsistencies may occur due to incorrect categorization of the incident/injury being reported. Inconsistent safety reporting may result in OSHA sanctions and/or penalties, vendor/personnel lawsuits, etc.</p>	<p>SOP language and process flow CP 4.0 Attachment 3: Safety Incident Reporting Process for Personal Injuries (Contractor) should be updated to include an evaluation step to address the nature of the incident/injury. For example, significant/severe versus non-significant/severe.</p> <p>SOP language should be updated to provide detailed definitions of a significant injury/severe injury, non-significant incident/non-severe injury, and near miss in order to clearly identify which action should be taken in the proposed process step above. Definitions should align with industry/OSHA standards.</p>
1D	<p>Safety: Non-compliance forms for non-significant injuries</p> <p>Within SOP 25-Safety there appears to be a Non-Compliance process flow chart which requires LACCD to complete CPS-0405 (Notice of Safety Non-Compliance) form, however this flow chart is not aligned/connected to incident reporting flowchart, therefore, if a safety incident, or the associated reporting, is found to be non-compliant, it does not appear that completing Form CPS-0405 is a part of the incident reporting process.</p>	<p>In the absence of clear directive to review an incident reporting process for non-compliance, safety reporting inconsistencies may occur, potentially resulting in OSHA sanctions and/or penalties, lawsuits, etc.</p>	<p>SOP language should be updated regarding process flow CP 4.0 Attachment 3: Safety Incident Reporting Process for Personal Injuries (Contractor).</p> <p>Prior to the end of the process (CP 4.0 Att. 3), a decision step should be added to determine if non-compliance was observed: If no, the process should end. If yes, the process should reference the process flow CP 4.0 Attachment 2: Safety Inspection and Non-Compliance Process.</p>
1E	<p>Project Closeout: Requirements for N/A forms</p> <p>Per SOP 24-Project Closeout, the Final Project Closeout and Archiving Checklist Form CC-0135 is required for project closeout packages. Within form CC-0135 it appears there are no requirements to provide an explanation if the respondent chooses a 'N/A' option for a particular form. Without an explanation, it is difficult to verify whether N/A option is correct and may result in unexpected risk exposure.</p>	<p>Absence of a requirement to provide backup documentation and/or reasoning for a form categorized as "N/A" within Form CC-0135, can potentially result in oversight of required information/forms and inconsistent project closeout packages.</p>	<p>SOP language should be updated to require an explanation should a respondent chooses "N/A" as an option within the form CC-0135 Final Project Closeout and Archiving Checklist.</p> <p>Form CC-0135 Final Project Closeout and Archiving Checklist should be updated to include a short-answer area for explanations of forms that are "N/A".</p>

APPENDIX B - LIST OF ACRONYMS

Acronym	Definition
AECOM	AECOM Technical Services, Inc.
AICPA	American Institute of Certified Public Accountants
BOT or Board	Board of Trustees
BuildLACCD	Los Angeles Community College District Program Management Office, a blended program management team consisting of AECOM or Jacobs (after October 15, 2017), other consultants, and members of the District.
CFE	Chief Facilities Executive
CAGE	Cost Account Generator Engine
CO	Change Order
CPD	College Project Director
CPT	College Project Team
DSA	Division of the State Architect
EH&S	Environmental Health & Safety
FF&E	Furniture, Fixture and Equipment
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
IA	Internal Audit (for the bond program)
JACOBS	Program Manager or Jacobs Project Management Co.
KPI	Key Performance Indicators
KPMG	KPMG LLP
LACCD or District	Los Angeles Community College District
MATOC	Master Agreement Task Order
O&M	Operations & Maintenance
PMA	Program Management Administration
PMO	Program Manager or Program Management Office
PMIS	Program Management Information System
PP&A	Payment Processing & Administration
QA/QC	Quality Assurance/Quality Control
QC&I	Quality Control & Inspection
RACI	Key responsibilities: responsible, accountable, consulted, and informed. A responsibility assignment matrix, also known as RACI matrix / responsibility
RPD	Regional Program Directors
RFP	Request for Proposal
RMT	PMO Risk Management Team
SEP	Strategic Execution Plan
SOP or SOPs	Standard Operating Procedures

APPENDIX C - SUMMARY AND STATUS OF 2019-20 OBSERVATIONS AND RECOMMENDATIONS

(Management's response provided by BuildLACCD)

Prior Observation and Recommendations	Status Update
<p>1. Policies and Procedures</p> <p>Although LACCD's policies and procedures overall are well developed, we identified areas where the District can continue to improve and clarify the <i>SOPs</i>. (Low)</p> <ul style="list-style-type: none"> i. implement RACI charts, ii. clarify strategic execution plan (SEP) and cost management review (white paper process), iii. add guidelines related to 3rd party estimates. <p>Recommendation:</p> <ul style="list-style-type: none"> i. LACCD should consider developing RACI matrices for complex processes that require contribution from many stakeholders. The purpose is to illustrate distinct "swim lanes" for each process not just by department, but by role. ii. The PMO should update SOP for Strategic Execution Plan (SEP) and Cost Management Review, to reflect the Program's most current procedures. The PMO should also incorporate the "white paper process" currently being performed by the PMO and CPTs with the <i>SOPs</i>. iii. The <i>SOPs</i> should be updated to include guidance for utilizing third-party estimates from professional estimators and/or quantity surveyors detailing the specific circumstances which may require a project to obtain third-party estimates. 	<p><u>Management's October 2021 Response:</u></p> <p>COMPLETE – Internal Audit (IA) verified the RACI pilot for Risk Management was completed and implemented 2/2021.</p> <ul style="list-style-type: none"> i. COMPLETE - IA verified the Risk Management SOP was updated February 26, 2021 to clarify the strategic execution plan and the white paper process. ii. COMPLETE - The Estimating SOP has been updated to include additional guidelines related to third party estimates for design-build, design-bid-build, and design-build projects with guaranteed maximum price obtained from open book bidding. The SOP was published and announced October 30, 2020.

<p>2. Change Orders</p> <p>Two change orders were executed without all required approvals. (Low)</p> <p>Recommendation:</p> <ul style="list-style-type: none"> i. The PMO should communicate the instances of missing signatures to CPTs and PMO staff and emphasize the importance of obtaining appropriate signatures before processing a change. ii. The PMO should consider consolidating the review and approval steps within the PMIS (or electronic) workflow to remove any duplicative and manual review processes. 	<p><u>Management's October 2021 Update:</u></p> <ul style="list-style-type: none"> i. COMPLETE - During the November 2020 Roundtable meeting, the PMO communicated the importance of complete and appropriate signatures to CPTs and PMO staff before the CPT submits a change order package to the PMO. ii. COMPLETE - The PMO implemented a workflow process in Adobe e-Sign in March 2020 that enables efficient movement and tracking of change orders and ensures that appropriate final signatures are in place before the changes are executed.
<p>3. Change Orders</p> <p>A unilateral change order for urgent T&M work was processed without the appropriate forms required by the <i>SOPs</i>. (Low)</p> <p>Recommendation:</p> <ul style="list-style-type: none"> i. The PMO should re-iterate and enforce the requirements for doing change order work on an emergency or urgent or T&M basis as stated in the field order process. 	<p><u>Management's October 2021 Update:</u></p> <p>COMPLETE - Given the nature of the specific T&M work, the change order process was the appropriate response to ensure timely payment to the contractor. During the November 2020 Roundtable meeting, the PMO reinforced the use of Construction Field Orders (CFO) for urgent or emergency work, when appropriate, followed by the Change Order approval process.</p>
<p>4. Risk Management</p> <p>RPDs did not consistently attend College Risk Identification Workshops. (Low)</p> <p>Recommendation:</p> <ul style="list-style-type: none"> i. The PMO should re-iterate and enforce the requirement for the RPDs to attend the college Risk Identification Workshops to the RPDs. ii. The <i>SOPs</i> should be updated to note that the CPD will attend on behalf of the RPD and assume respective responsibilities in case the RPD is unable to attend Risk Identification Workshops. In addition, the SOP should require a summary of updates and any changes made during the workshops should be provided to and evaluated by the RPDs. 	<p><u>Management's October 2021 Update:</u></p> <p>COMPLETE - IA verified section 4.4 of the Risk Management SOP was revised February 26, 2021 to allow the RPD to assign a regional team member to attend and act in his/her capacity and attend the risk workshops in their absence. This was communicated to the Build program at a round table session.</p>

5. Risk Management

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

Recommendation:

- i. The PMO should continue facilitating virtual annual Risk Controls Workshops in accordance with the *SOPs* and adjust as necessary given the state of the current remote work environment.

Management's October 2021 Update:

COMPLETE - IA verified the Risk Management SOP was revised February 26, 2021 regarding risk controls workshops. In addition, on 2/23/2021 we met with Risk and Quality to understand how the workshops were conducted and risks updated. Risk was using the workshops to identify and assess the level of risk and to educate college project teams about the risk management process.

6. Risk Management

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

Recommendation:

- i. The PMO should consider updating the *SOPs* to reflect the current practice of standardizing updates to risk comments by Risk owners across projects and colleges.
- ii. The PMO should perform a monthly reconciliation to identify variances between open risks and mitigation measures.
- iii. *College Risk Register Reports* should be updated to include mitigation measures (or documentation of no measures taken with an explanation as to why), in order to better facilitate ongoing action and monitoring of all mitigation strategies.
- iv. The *SOPs* should be updated to include documented monthly reporting criteria for the *Risk Mitigation Report* with a structured cadence and audience for distribution.

Management's October 2021 Update:

- i. COMPLETE - Workshops to update the college and PMO risk registers were implemented August 2020 and will continue on a monthly basis. Risk management is enforcing a standardized requirement that risk comments must include the date of the most current risk comment update, while also preserving the list of previous updates. In the case where no updates are available, risk owners will include a brief update such as, "No change," to evidence ongoing assessment and facilitate active management of each risk items.
- ii. COMPLETE - As of August 2020, the Risk Manager meets regularly with college project teams to review and update open risks and mitigation measures and ensure team members understand how and why this is being done.
- iii. COMPLETE – As of August 2020, during these meetings, college project teams are educated on appropriate mitigation measures and how to document the current state in order to more effectively monitor and mitigate risks. Mitigation measures are more detailed and require a mitigation action plan to describe what specifically was actually done or what is being done and what would be the next mitigation measure.
- iv. COMPLETE - IA verified through inquiry with QAQC and Risk Manager that workshops were completed as of August 2020. The Risk Management SOP was updated on February 26, 2021 to more clearly specify how the risk register was to be used, how frequently to review and change, what constitutes an action plan and what to include if there is no change in status. Risk working sessions are conducted by the Risk Manager with CPTs to discuss risks, reporting, KPIs and to ensure risk registers are being updated appropriately. In addition to the review of changes and the verification from the issued SOP, we met with Risk management to understand how their process changes have been implemented and how they are working.

<p>7. Risk Management</p> <p>The review and monitoring processes of monthly risk reports at the Program level did not adequately identify reporting inconsistencies. (Medium)</p> <p>Recommendation:</p> <p>i. The PMO should perform a thorough reconciliation between the college risk registers and reports on a monthly basis to ensure that risks and risk values align across reports presented to all Colleges and the District. (The audit confirmed the <i>Campus Risk Registers and Program Review Reports</i> are in alignment across all campuses from April 2020 onward.)</p>	<p><u>Management's October 2021 Update:</u></p> <p>COMPLETE - System updates made in 2019 necessitated a manual refresh to update risks and PMO IT is monitoring and managing issues the SharePoint risk register. Two new procedures have been implemented: 1) As of April 2020, PMO IT refreshes the risk register monthly at month end. 2) As of July 2020, Risk management support updates and manually refresh risk register data before any reports are produced and issued.</p>
<p>8. Risk Management</p> <p>There is no mechanism to track risks as they transition from an identified risk to a change management item. (Low)</p> <p>Recommendation:</p> <p>i. The PMO should consider adding a section within the SOP to clearly delineate the tracking and management of risks at the Risk to Change Management touchpoint.</p> <p>ii. Additionally, the PMO should consider using a common risk ID structure to track risks as it is entered into the Change Management system. A periodic reconciliation of risks should occur between Risk and Change Management to prevent any potential risk impacts from being overlooked, missed, or duplicated on either system.</p>	<p><u>Management's October 2021 Update:</u></p> <p>i. COMPLETE - IA verified the SOP for Change Management was updated 10/30/2020 to include actions to address rejected Change order requests. The Risk management SOP was updated February 2021.</p> <p>ii. COMPLETE - IA verified the Risk SOP was updated February 26, 2021 to reflect the following practice: When a risk graduates to a change order, it is removed from the risk register and the application retires the risk ID number. If the change order is subsequently rejected by the CPT, the rejected change order is removed from the change order log. If a rejected change order is deemed by CPT/Risk to be a continuing risk, it will be entered as a new risk with a new ID# automatically assigned. The Risk Manager will follow up to identify and reconcile risks that resulted in rejected change order requests.</p>

<p>9. Procurement</p> <p>It is unclear what steps were followed to assess, document, and resolve any personal conflicts of interest disclosed by an evaluation panel member. (Low)</p> <p>Recommendation:</p> <p>i. The SOP should be updated to clearly define the process to assess, documentation, and resolve potential conflicts of interest, which may include, establishing a standardized criteria for consideration and the implementation of standardized form to document the process and mitigation measure or final decision by the Contracting Officer.</p>	<p><u>Management's September 2021 Update:</u></p> <p>COMPLETE - Per the SOP, the conflict disclosure was raised to the Director of Contracts for a decision. It was determined that having worked for a participating contractor in the past alone did not present a conflict for this individual to perform his function as the SME for this procurement. The SOP has been updated and communicated as of October 30, 2020 to now include standardized criteria for considering past employment as a potential conflict of interest. The SOP now also includes a process for documenting the basis of the decision by the Director of Contracts.</p>
<p>10. Procurement</p> <p>A participant in the formal evaluation panel for procurement was not listed on the Evaluation Panel Memo formally approved by the District CFE or designee, as required by the <i>SOPs</i>. (Low)</p> <p>Recommendation:</p> <p>i. The SOP should be updated to emphasize the need to include approval of all evaluation panel participants, including subject matter experts, prior to participating in any formal procurement evaluations.</p>	<p><u>Management's September 2021 Update:</u></p> <p>COMPLETE - It has been a consistent practice to have the CED manager participate in this process. The evaluation panel memo was capturing approval of the panel members that were not consistent participants. Despite not being identified on the evaluation panel memo for reasons previously stated, the CED Manager did go through the same conflict of interest process as the other evaluators.</p> <p>For enhanced clarity, the PMO has updated the SOP, and the evaluation panel memos for this procurement type now will include the CED Manager or other SME's, as applicable. Evaluation panel memos were updated in March 2020 and have included SMEs since that time, as applicable.</p>