KPMG

Los Angeles Community College District

Performance Audit FY 2021-22

District Citizens' Oversight Committee Meeting

February 24, 2023

With You Today

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Scope of Engagement

Performance Audit of the construction bond program for the year ended June 30, 2022, for projects covered by Proposition A, Proposition AA, Measure J and Measure CC bond proceeds.

Objectives of a Performance Audit

Performance audits seek to assess the effectiveness, economy and efficiency of the bond program and provides an objective analysis for management and those charged with governance and oversight to use 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. A performance audit does not opine on the internal controls structure of BuildLACCD or LACCD.

Scope of FY21-22 Performance Audit

Schedule management, variance analysis and reporting ("Schedule Management") Assessed bond program schedule management activities with a focus on schedule changes and variance analysis during the construction phase. Also evaluated compliance with relevant PMO schedule management *SOPs* and leading practices

Budget management, variance analysis, reporting and forecasting ("Budget Management") – Assessed project budget management activities including project stages (or "gates") where cost estimating and forecasting activities takes place, including variance analysis, justification for budget adjustments and/or budget transfers. KPMG also evaluated compliance with relevant PMO budget management and cost estimating *SOPs* and leading practices.

Document management and recordkeeping ("Document Management") – Evaluated document management practices of the central PMO as well as at the individual project level, including filing taxonomies and compliance with the District's current *SOPs* relating to timely and complete filing of project records.

Expenditures (or "Bond Expenditure") – KPMG evaluated a sample of bond expenditures incurred during the audit period in order to establish whether the costs incurred for which bond funds were used have been spent on projects and costs approved by the voters, for allowable purposes and that they are in compliance with the District's Cost Principles.

Summary Results of Performance Audit

- KPMG identified three low priority audit observations, all related to adjusting the program's *SOPs*,

- KPMG did not identify any significant internal control deficiencies within the context of the audit,

- KPMG did not identify any charges to that did not conform to the requirements of Proposition A, Proposition AA, Measure J and Measure CC,

- All of KPMG's recommendations have been addressed by the Program Management Office (PMO).

Ranking of Observations

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

Medium Priority - The recommendation pertains to a moderately significant or potentially serious 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 should be addressed. The timing of any corrective action is left to management's discretion.

Observations

1. (DOCUMENT MANAGEMENT) **There is an opportunity to update current document management *SOPs* and Master File Archive Index (MFI) to improve consistent implementation of filing structures across the colleges.**

2. (SCHEDULE and BUDGET MANAGEMENT) **The *SOPs* include documentation requirements that are outdated or unclear and should be revised, including: a)** the requirement for a *Master Schedule Change Form* and b*)* the level of detail required for schedule documentation submitted with *Release of Program Reserve Funds Request* (RPRF) packages.

3. (BUDGET MANAGEMENT) ***SOP* documentation requirements for budget re-baselining and budget transfers were not consistently followed by the colleges, including**: a) missing budget re-baseline documentation: *Anticipated Cost Report, Project Estimate Worksheet, Project Schedule,* and *Project Estimate* and b) missing *Form PMA-0044* with budget transfer packages.