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LOS ANGELES COMMUNITY COLLEGE DISTRICT

BOND CONSTRUCTION PROGRAMS:
PROPOSITION A
PROPOSITION AA
MEASURE J

Statements of Expenditures of Bond Proceeds
and Supplementary Schedules

Year ended June 30, 2011

LOS ANGELES COMMUNITY COLLEGE DISTRICT
BOND CONSTRUCTION PROGRAMS

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LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION A BOND CONSTRUCTION PROGRAM

Statement of Expenditures of Bond Proceeds
and Supplementary Schedule

Year ended June 30, 2011

(With Independent Auditors' Reports Thereon)

LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION A BOND CONSTRUCTION PROGRAM

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KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

We have audited the accompanying statement of expenditures of bond proceeds of the Proposition A Bond Construction Program of the Los Angeles Community College District (the District) for the year ended June 30, 2011, as listed in the accompanying table of contents. The statement of expenditures of bond proceeds is the responsibility of the District's management. Our responsibility is to express an opinion on the accompanying statement of expenditures of bond proceeds based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of expenditures of bond proceeds is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of expenditures of bond proceeds, assessing the accounting principles used and significant estimates made by management, as w ell as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 2 to the statement of expenditures of bond proceeds, the accompanying statement of expenditures of bond proceeds was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools, and Financial Accountable Act*.

In our opinion, the statement of expenditures of bond proceeds referred to above presents fairly, in all material respects, the expenditures of bond proceeds of the Proposition A Bond Construction Program for the year ended June 30, 2011 in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the 2011 statement of expenditures of bond proceeds. The accompanying supplementary schedule of expenditures of bond proceeds of the Proposition A Bond Construction Program of the District for the year ended June 30, 2011 and the period from April 10, 2001 (inception) through June 30, 2010 is presented for purposes of additional analysis and is not a required part of the statement of expenditures of bond proceeds. The supplementary schedule of expenditures of bond proceeds has not been subjected to the auditing procedures applied in the audit of the statement of expenditures of bond proceeds for the year ended June 30, 2011, and accordingly, we express no opinion on it.

KPMG LLP

March 15, 2012

LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION A BOND CONSTRUCTION PROGRAM

Statement of Expenditures of Bond Proceeds

Year ended June 30, 2011

College direct costs:	
Structural and equipment costs:	
Construction (new)	$ 38,015,605
Construction (renovation)	11,852,696
Temporary facilities	567,708
Furniture, fixtures, and equipment	5,545,984
Total structural and equipment costs	55,981,993
Development and support costs:	
Master planning	36,177
Design	2,495,228
Specialty consulting	2,285,561
Project management	2,656,438
Inspection and testing	1,149,938
Reimbursables	169,378
Total development and support costs	8,792,720
Total college direct costs	64,774,713
Programwide costs:	
Legal consulting fees	144
Compliance and audit fees	2,160
Rents and leases	(293)
Total programwide costs	2,011
Total college direct costs and programwide costs	$ 64,776,724

See accompanying notes to statement of expenditures of bond proceeds.

(1) Program Background

In April 2001, the Los Angeles Community College District (the District) became the first community college district in the State of California to pass a property tax financed bond (Proposition A) under the requirements of the Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*, of the State of California (the Act). Passed by voters at a value of $1.245 billion, the District's Proposition A Bond Construction Program (the Program) stands as one of the largest community college bonds ever passed in California. The bond measure was designed to implement a capital improvement program for each of the nine colleges within the District.

The Program is intended to increase educational opportunities, raise student achievement, and improve health and safety conditions on the campuses of the nine colleges within the District through the replacement and/or repair and rehabilitation of deteriorating buildings; the construction, furnishing, and equipping of classrooms, laboratories, libraries, and related facilities; the repair and upgrading of electrical wiring for computer technology, heating, air conditioning, and plumbing; complete earthquake retrofitting; improvement of campus safety, fire security, parking, and lighting; and the improvement of current or to be acquired real property to relieve overcrowding of the facilities on these campuses.

In August 2001, the District's board of trustees approved an award of the contract for program management (Program Manager) services to Daniel, Mann, Johnson & Mendenhall/Jenkins/Gales & Martinez, Inc. (DMJM/JGM). Effective April 12, 2007, DMJM/JGM was replaced by a new Program Manager, URS Corporation. The current contract between the District and Program Manager expires April 12, 2012.

The Program Manager is responsible for managing all program-related activities, including the maintenance of the master schedule and the master program budget. The Program Manager provides its own staff and services for budgeting, accounting, contracting, and supervising the program development.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds has been prepared on the accrual basis of accounting. The Act requires an annual, independent financial audit of the proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the accompanying statement of expenditures of bond proceeds includes amounts expended for capital outlay.

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF BOND PROCEEDS

LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION A BOND CONSTRUCTION PROGRAM

Supplementary Schedule of Expenditures of Bond Proceeds

Year ended June 30, 2011 and period from
April 10, 2001 (inception) through June 30, 2010

(Unaudited)

	Revised budget	Actual expenditures: Period from April 10, 2001 (inception) through June 30, 2010	Actual expenditures: Year ended June 30, 2011	Actual expenditures: Cumulative actual expenditures through June 30, 2011	Cumulative reimbursements from state	Cumulative total
College direct costs:						
Structural and equipment costs:						
Construction (new)	$ 603,207,322	663,504,760	38,015,605	701,520,365	(110,295,834)	591,224,531
Construction (renovation)	213,406,998	186,319,380	11,852,696	198,172,076	(14,107,237)	184,064,839
Hardscape/landscape	44,105	125,771	—	125,771	—	125,771
Temporary facilities	16,026,512	14,807,032	567,708	15,374,740	—	15,374,740
Furniture, fixtures, and equipment	34,743,534	36,097,801	5,545,984	41,643,785	(8,143,523)	33,500,262
Total structural and equipment costs	867,428,471	900,854,744	55,981,993	956,836,737	(132,546,594)	824,290,143
Other costs:						
Land acquisition	36,307,923	51,191,119	—	51,191,119	—	51,191,119
Development and support costs:						
Master planning	14,917,578	15,196,810	36,177	15,232,987	(186,299)	15,046,688
Predesign/programming	7,813,560	8,132,952	—	8,132,952	—	8,132,952
Design	131,253,941	131,384,259	2,495,228	133,879,487	(7,882,138)	125,997,349
Specialty consulting	38,800,876	36,838,784	2,285,561	39,124,345	(202,630)	38,921,715
Project management	112,797,635	107,452,778	2,656,438	110,109,216	—	110,109,216
Inspection and testing	35,834,595	33,082,065	1,149,938	34,232,003	(585,894)	33,646,109
Construction management	487,052	507,406	—	507,406	(401,473)	105,933
Reimbursables	11,196,051	6,049,086	169,378	6,218,464	(34,805)	6,183,659
Total development and support costs	353,101,288	338,644,140	8,792,720	347,436,860	(9,293,239)	338,143,621
Total college direct costs	1,256,837,682	1,290,690,003	64,774,713	1,355,464,716	(141,839,833)	1,213,624,883
Programwide costs:						
Program management	73,067,701	76,553,967	—	76,553,967	—	76,553,967
Legal consulting fees	5,731,122	5,699,882	144	5,700,026	—	5,700,026
Compliance and audit fees	2,838,723	2,181,130	2,160	2,183,290	—	2,183,290
Bond measure election costs	454,332	585,660	—	585,660	—	585,660
Rents and leases	615,973	1,281,537	(293)	1,281,244	—	1,281,244
Total programwide costs	82,707,851	86,302,176	2,011	86,304,187	—	86,304,187
Total college direct costs and programwide costs	1,339,545,533	$ 1,376,992,179	64,776,724	1,441,768,903	(141,839,833)	1,299,929,070
Unallocated budget	20,225,281					
Total	$ 1,359,770,814					

See accompanying independent auditors' report and notes to supplementary schedule of expenditures of bond proceeds.

(1) Background

The supplementary schedule of expenditures of bond proceeds presents expenditures for the year ended June 30, 2011 and the period from April 10, 2001 (inception) through June 30, 2010.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds has been prepared on the accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*, of the State of California (the Act) requires an annual, independent financial audit of the proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the accompanying statement of expenditures of bond proceeds includes amounts expended for capital outlay.

The supplementary schedule of expenditures of bond proceeds includes the following:

(a) Budget

The amounts included within the budget column in the accompanying supplementary schedule of expenditures of bond proceeds represent estimates of the costs that will be expended to complete the various projects at each of the Los Angeles Community College District's (the District) colleges.

(b) Cumulative Actual Expenditures

The amounts included within the actual expenditures cumulative total column in the accompanying supplementary schedule of expenditures of bond proceeds represent actual cumulative expenditures paid and/or incurred from Proposition A bond proceeds by the District for the period from April 10, 2001 (inception) through June 30, 2011.

(c) Interest Earned

Interest earned on bond issuances that have not been expended is added to project budgets upon approval by the college presidents. Interest earned that has not yet been approved for specific projects is included in unallocated interest earned.

(d) Cumulative Reimbursements from State

During the period from April 10, 2001 (inception) through June 30, 2011, the District received amounts from the State of California as reimbursement for various multifunded projects. These projects were to be funded by both state funds and bond proceeds. Prior to filing claims and receipt of funds from the state, eligible bond proceeds were used to fund the projects. The reimbursements received by the District have been reflected in the accompanying supplementary schedule of expenditures of bond proceeds as a reduction of expenditures made with bond proceeds by cost classification on a cumulative basis.

(Continued)

(e) Reclassifications

Certain reclassifications were made between the District's bond programs resulting in changes to the expenditure column for amounts reported for the period from inception through June 30, 2010.

(3) Reconciliation of Bond Proceeds

The following is a summary of total authorized and issued bond funds available at June 30, 2011:

Bonds authorized and issued	$ 1,245,000,000
Bonds authorized but not yet issued	—
Total bonds authorized	1,245,000,000
Additional proceeds from General Obligation Refunding Bonds, 2005 Series A	12,330,000
Additional proceeds from surplus equipment sales	151,537
Interest earned for the period from April 10, 2001 (inception) through June 30, 2011	102,289,277
Total bonds authorized, interest earned, and other	1,359,770,814
Less expenditures of bond proceeds for the period from April 10, 2001 (inception) through June 30, 2011	(1,299,929,070)
Total authorized and issued bond funds available at June 30, 2011	$ 59,841,744

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Proposition A Bond Construction Program Statement of Expenditures of Bond Proceeds Performed in Accordance with *Government Auditing Standards*

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

We have audited the statement of expenditures of bond proceeds of the Proposition A Bond Construction Program of the Los Angeles Community College District (the District) for the year ended June 30, 2011, and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the statement of expenditures of bond proceeds, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identity all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency and that is described in the accompanying schedule of findings and responses as item BA-11-01. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's statement of expenditures of bond proceeds of the Proposition A Bond Construction Program is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, agreements, noncompliance with which could have a direct and material effect on the determination of amounts included in the statement of expenditures of bond proceeds. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's board of trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 15, 2012

BA-11-01: Bond Construction Program

Condition and Context

The Los Angeles Community College District (the District) has contracted with a program management firm to manage the District's Proposition A General Obligation Bond Construction Project (the Project) known as BuildLACCD (the Program Manager). When combined the issues noted below represent a significant deficiency in internal control over financial reporting:

- During our testwork over the recording of expenditures, we noted invoices totaling $11,176 were not accrued in the proper period. We then extrapolated the errors noted in the population resulting in an estimated $61,895 of expenditures being reported in the wrong period.
- During our testwork over expenditures, we were informed by the Program Manager that they had noted control deficiencies prior to FY 2011 where expenditures incurred were charged to the incorrect funding source. The net impact of the reclassifications resulted in a $599,398 increase in previously reported expenditures related to the Project. The Program Manager identified the deficiencies as part of a compensating control implemented during FY2011. As part of the compensating control, the Program Manager performed an analysis and properly reclassified the unallowable expenditures for these identified projects to the appropriate funding source and adjusted the expenditures incorrectly charged to the Project. The expenditures reported for the period from April 10, 2001 (inception) through June 30, 2010 have been adjusted in the accompanying Supplementary Schedule of Expenditures of Bond Proceeds to reflect the aforementioned reclassifications.
- During our testwork over furniture, fixtures, and equipment purchases, we noted that the District does not currently reconcile furniture, fixtures, and equipment purchased with bond proceeds to the actual items received and tagged. Since a reconciliation is not performed, there is a risk to the District that subsequent sales of furniture, fixtures, or equipment will not be properly recorded in the District's financial statements. Based on information included in the supplementary schedule of expenditures of bond proceeds, the Project has spent $33,436,965 on furniture, fixtures, and equipment since the inception of the Project.
- During our testwork over potential related-party transactions, we noted that there do not appear to be adequate controls in place to reconcile the information included in the Form 700 with vendors or subcontractors utilized by the District. The District requires all employees designated in the Los Angeles Community College District Administrative Regulations as C-5 Categories and C-6 Designated Positions as having procurement oversight responsibility to annually submit a California Fair Political Practices Commission Statement of Economic Interests (Form 700) and the Board of Trustees Rule XIV, Conflict of Interest Code for the Los Angeles Community College District.

Cause and Effect

Effective July 2007, the District's board of trustees approved the current Program Manager to oversee all bond-funded capital improvements. The Program Manager is responsible for maintenance of the master schedule of work performed, program budgets, accounting, contracting, and development. The Program Manager performs cutoff procedures during the District's closing process; however, the Program Manager did not perform adequate cutoff procedures related to expenditures paid for in the current year that related to the previous fiscal year.

Additionally, there do not appear to be adequate controls in place over the receipt and tacking of furniture, fixtures, and equipment. In 2010, the District contracted with a new asset management firm, Annams Systems Corporation, to record and track furniture, fixtures, and equipment purchases funded through bond proceeds as well as furniture, fixtures, and equipment disposals. Although the District has properly capitalized the furniture, fixtures, and equipment purchases made during the year, since the assets were not reconciled with the Program Manager's records, the District did not record this furniture, fixtures, and equipment into its Asset Management system. Lack of updating the inventory records into the District's Asset Management system increases the risk of possible loss and misuse of assets.

The lack of controls to reconcile the information included in California Fair Political Practices Commission Statement of Economic Interests (Form 700) and the Board of Trustees Rule XIV, Conflict of Interest Code for the Los Angeles Community College District to the vendors and subcontractors employed as part of the District's bond program appears to be due to resource limitations and the lack of controls in place at the District. Perceived or actual conflicts of interest can exist if this information is not reconciled and reviewed in a timely manner.

Criteria

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We believe the control deficiencies described above in aggregate represent a significant deficiency in internal control.

Recommendation

We recommend that the District work with the Program Manager to strengthen the internal controls related to the review of expenditures funded by the bond program to ensure the expenditures incurred are recorded in the proper accounting period. Additionally, the District needs to establish processes and procedures to track, record, and reconcile fixed asset purchases and sales. We also recommend that the District strengthen its controls related to the reporting and tracking of potential conflicts of interest. These procedures could include expanding the representations made by vendors and subcontractors to require self-reporting of potential conflicts of interest.

Views of Responsible Officials and Planned Corrective Action

Proper Period

Management agrees with the exception amount of $11,176. The finding pertains to reimbursable expenses that were incurred during FY 09-10, but were recorded in FY 10-11. Management has implemented an accrual process during fiscal period prior to year-end of June 30, 2009 to meet the requirements of U.S. generally accepted accounting principles (GAAP) requirements. Later, a two-part accrual review process was implemented during the fiscal year-end of June 30, 2010. For the past two years, the Program Manager has provided training to the College Project Manager's (CPM) regarding the policies for recording accruals. For the year ended June 30, 2011, the Program Manager implemented an additional third internal review test sampling of expenditures for proper period reporting. The test sampling includes all significant expenditures over established materiality thresholds. The Program Manager implemented during FY 10-11 an additional control with the use of mandatory "work start and end" date fields in the invoice tracking log that is entered by the CPM staff in the Program Manager system for each and every invoice.

We strongly believe that these controls and the current procedures allow management to record and report reliable data.

Allowability of Bond Expenditures

Management agrees with the observation noted. Management noted control deficiencies prior to FY 2011 where expenditures incurred against Proposition A funds were used to construct projects not on the Proposition A project list. During FY 10-11 a compensating control was implemented to analyze bond expenditures that were charged to the incorrect funding source. Management performed an analysis to determine if the projects are properly funded and expended based on the approved project list from the ballot language approved by the voters. During our review, we noted two projects where Proposition A projects were incorrectly funded with other funding sources. Management has prepared memos to document each of the two projects identified. Subsequent to June 30, 2011, Management has also posted adjusting journal entries to reclassify expenditures incurred to the correct funding source. Management will continue perform the compensating control as it has proven to be effective.

Furniture, Fixtures, and Equipment

The District agrees with the finding and continues to work to improve the process of reconciling and reporting of bond funded furniture, fixtures and equipment (FF&E) purchases to the actual equipment received and tagged as noted below from Phase I to Phase III. In August 2010, the Program Manager went live using the District's accounting system (SAP) for recording all new FF&E purchases, which only capitalizes FF&E acquisitions of $5,000 or greater. Subsequent to August 2010, the District reconciles all new FF&E purchases received and entered into SAP with Program Manager's accounting system.

Annam's Systems Corporation was selected and contracted on January 28, 2010 to be the Asset Management consultant to provide the following items; Phase I - Strategic Planning, Phase II - Technology Solution and Implementation and Phase III - Baseline Inventory and Reconciliation.

Currently, the District is performing Phase II and III concurrently in order to expedite the inventory and reconciliation. Completion of Phase III, Baseline Inventory and the Reconciliation is expected to be complete by June 30, 2012. Upon completion of the baseline inventory, a complete reconciliation will be performed between the various systems. The reconciliation will separate all previous FF&E assets of $5,000 or greater for capitalization from the FF&E assets below $5,000 threshold for no capitalization. The completed inventory will be reflected in the District's Asset Management system in SAP which will conclude Phase III. Phase II work will be on-going as technology implementation and system enhancements occur and is expected to be complete by December 31, 2012.

(Continued)

Form 700

The Inspector General researched the practices of other agencies in reconciling Form 700 filings with contract awards. The best solution appears to be moving to e-filing of Form 700's with a connection to the vendor database. Staff has developed a plan for acquisition and implementation of e-filing Form 700's as part of the annual requirement in March, with the corresponding check against contract authorizations going forward.

LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION AA BOND CONSTRUCTION PROGRAM

Statement of Expenditures of Bond Proceeds
and Supplementary Schedule

Year ended June 30, 2011

(With Independent Auditors' Reports Thereon)

LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION AA BOND CONSTRUCTION PROGRAM

Table of Contents

KPMG LLP
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Independent Auditors' Report

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

We have audited the accompanying statement of expenditures of bond proceeds of the Proposition AA Bond Construction Program of the Los Angeles Community College District (the District) for the year ended June 30, 2011, as listed in the accompanying table of contents. The statement of expenditures of bond proceeds is the responsibility of the District's management. Our responsibility is to express an opinion on the accompanying statement of expenditures of bond proceeds based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of expenditures of bond proceeds is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of expenditures of bond proceeds, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 2 to the statement of expenditures of bond proceeds, the accompanying statement of expenditures of bond proceeds was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools, and Financial Accountable Act*.

In our opinion, the statement of expenditures of bond proceeds referred to above presents fairly, in all material respects, the expenditures of bond proceeds of the Proposition AA Bond Construction Program for the year ended June 30, 2011 in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the 2011 statement of expenditures of bond proceeds. The accompanying supplementary schedule of expenditures of bond proceeds of the Proposition AA Bond Construction Program of the District for the year ended June 30, 2011 and the period from May 20, 2003 (inception) through June 30, 2010 is presented for purposes of additional analysis and is not a required part of the statement of expenditures of bond proceeds. The supplementary schedule of expenditures of bond proceeds has not been subjected to the auditing procedures applied in the audit of the statement of expenditures of bond proceeds for the year ended June 30, 2011, and accordingly, we express no opinion on it.

KPMG LLP

March 15, 2012

LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION AA BOND CONSTRUCTION PROGRAM

Statement of Expenditures of Bond Proceeds

Year ended June 30, 2011

College direct costs:	
Structural and equipment costs:	
Construction (new)	$ 15,909,012
Construction (renovation)	16,116,272
Temporary facilities	784,916
Furniture, fixtures, and equipment	7,509,188
Total structural and equipment costs	40,319,388
Other costs:	
Land acquisition	4,135,000
Total other costs	4,135,000
Development and support costs:	
Master planning/environmental impact report	342,123
Predesign/programming	290,216
Design	3,846,306
Specialty consulting	965,575
Project management	5,591,269
Inspection and testing	1,635,744
Total development and support costs	12,671,233
Total college direct costs	57,125,621
Programwide costs:	
Legal consulting fees	3,336
Rents and leases	595,818
Total programwide costs	599,154
Total college direct costs and programwide costs	$ 57,724,775

See accompanying notes to statement of expenditures of bond proceeds.

(1) Program Background

In May 2003, the Los Angeles Community College District (the District) electorate approved the passage of a $980 million property tax financed bond measure known as Proposition AA (the Program), to supplement the District's $1.245 billion Proposition A Bond Construction Program of the nine college master plans. The college master plans identify areas for improvement needed to prepare the colleges to meet the future needs of the community and provide a time line for addressing those needs within the next 10 years.

The Program is intended to prepare students for jobs and four-year colleges; train nurses, police, firefighters, emergency medical personnel, improve health, safety, security conditions on the campuses of the nine colleges within the District through the construction of computer technology centers to train students for high tech jobs; repair deteriorating classrooms, science laboratories, libraries; expand educational centers in underserved communities; upgrade heating, plumbing, wiring, roofs, sewers, energy efficiency, water conservation; improve campus environmental standards, safety, lighting, fire alarms, sprinklers, intercoms, fire doors; and acquire/improve real property and/or build new classrooms to relieve overcrowding.

The District's board of trustees approved an award of the contract for program management (Program Manager) services to Daniel, Mann, Johnson & Mendenhall/Jenkins/Gales & Martinez, Inc. (DMJM/JGM). Effective April 12, 2007, DMJM/JGM was replaced by a new Program Manager, URS Corporation. The current contract between the District and Program Manager expires April 12, 2012.

The Program Manager is responsible for managing all program-related activities, including the maintenance of the master schedule and the master program budget. The Program Manager provides its own staff and services for budgeting, accounting, contracting, and supervising the program development.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds has been prepared on the accrual basis of accounting. The Act requires an annual, independent financial audit of the proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the accompanying statement of expenditures of bond proceeds includes amounts expended for capital outlay.

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF BOND PROCEEDS

LOS ANGELES COMMUNITY COLLEGE DISTRICT
PROPOSITION AA BOND CONSTRUCTION PROGRAM

Supplementary Schedule of Expenditures of Bond Proceeds

Year ended June 30, 2011 and
period from May 20, 2003 (inception) through June 30, 2010

(Unaudited)

	Revised budget	Actual expenditures: Period from May 20, 2003 (inception) through June 30, 2010	Actual expenditures: Year ended June 30, 2011	Actual expenditures: Cumulative actual expenditures through June 30, 2011	Cumulative reimbursements from state	Cumulative total
College direct costs:						
Structural and equipment costs:						
Construction (new)	$ 380,016,295	347,371,623	15,909,012	363,280,635	(23,165,017)	340,115,618
Construction (renovation)	195,054,241	179,668,041	16,116,272	195,784,313	(26,821,051)	168,963,262
Temporary facilities	5,990,285	5,299,233	784,916	6,084,149	—	6,084,149
Furniture, fixtures, and equipment	44,115,034	29,930,640	7,509,188	37,439,828	(1,002,500)	36,437,328
Total structural and equipment costs	625,175,855	562,269,537	40,319,388	602,588,925	(50,988,568)	551,600,357
Other costs:						
Land acquisition	95,215,502	102,688,979	4,135,000	106,823,979	—	106,823,979
Building acquisition	—	19,704,402	—	19,704,402	—	19,704,402
Total other costs	95,215,502	122,393,381	4,135,000	126,528,381	—	126,528,381
Development and support costs:						
Master planning/environmental impact report	4,745,911	3,498,591	342,123	3,840,714	—	3,840,714
Predesign/programming	2,252,624	1,163,492	290,216	1,453,708	—	1,453,708
Design	69,170,189	63,487,551	3,846,306	67,333,857	(7,668,014)	59,665,843
Specialty consulting	27,250,109	26,471,633	965,575	27,437,208	(71,295)	27,365,913
Project management	66,004,407	60,537,904	5,591,269	66,129,173	—	66,129,173
Inspection and testing	20,247,419	16,963,901	1,635,744	18,599,645	(73,596)	18,526,049
Construction management	—	1,607	—	1,607	—	1,607
Reimbursables	6,021,874	2,800,912	—	2,800,912	(754,702)	2,046,210
Total development and support costs	195,692,533	174,925,591	12,671,233	187,596,824	(8,567,607)	179,029,217
Total college direct costs	916,083,890	859,588,509	57,125,621	916,714,130	(59,556,175)	857,157,955
Programwide costs:						
Program management	34,748,222	36,099,570	—	36,099,570	—	36,099,570
Legal consulting fees	892,539	1,155,139	3,336	1,158,475	—	1,158,475
Compliance and audit fees	1,643,567	887,464	—	887,464	—	887,464
Bond measure election costs	119,000	1,206,719	—	1,206,719	—	1,206,719
Rents and leases	6,409,234	4,396,114	595,818	4,991,932	—	4,991,932
Total programwide costs	43,812,562	43,745,006	599,154	44,344,160	—	44,344,160
Debt refinancing	105,561,661	110,970,481	—	110,970,481	—	110,970,481
Total college direct costs, programwide costs, and debt refinancing	1,065,458,113	$ 1,014,303,996	57,724,775	1,072,028,771	(59,556,175)	1,012,472,596
Unallocated budget	13,292,765					
Total	$ 1,078,750,878					

See accompanying independent auditors' report and notes to supplementary schedule of expenditures of bond proceeds.

(1) Background

The supplementary schedule of expenditures of bond proceeds presents expenditures for the year ended June 30, 2011 and the period from May 20, 2003 (inception) through June 30, 2010.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds has been prepared on the accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*, of the State of California (the Act) requires an annual, independent financial audit of the proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the accompanying statement of expenditures of bond proceeds includes amounts expended for capital outlay.

The supplementary schedule of expenditures of bond proceeds includes the following:

(a) Budget

The amounts included within the budget column in the accompanying supplementary schedule of expenditures of bond proceeds represent estimates of the costs that will be expended to complete the various projects at each of the Los Angeles Community College District's (the District) colleges.

(b) Cumulative Actual Expenditures

The amounts included within the actual expenditures cumulative total column in the accompanying supplementary schedule of expenditures of bond proceeds represent actual cumulative expenditures paid and/or incurred from Proposition AA bond proceeds by the District for the period from May 20, 2003 (inception) through June 30, 2011.

(c) Interest Earned

Interest earned on bond issuances that have not been expended is added to project budgets upon approval by the college presidents. Interest earned that has not yet been approved for specific projects is included in unallocated interest earned.

(d) Cumulative Reimbursements from State

During the period from May 20, 2003 (inception) through June 30, 2011, the District received amounts from the State of California as reimbursement for various multifunded projects. These projects were to be funded by both state funds and bond proceeds. Prior to filing claims and receipt of funds from the state, eligible bond proceeds were used to fund the projects. The reimbursements received by the District have been reflected in the accompanying supplementary schedule of expenditures of bond proceeds as a reduction of expenditures made with bond proceeds by cost classification on a cumulative basis.

(e) Reclassifications

Certain reclassifications were made between the District's bond programs resulting in changes to the expenditure column for amounts reporting for the period from inception through June 30, 2010.

(3) Reconciliation of Bond Proceeds

The following is a summary of total authorized and issued bond funds available at June 30, 2011:

Bonds authorized and issued	$	980,000,000
Bonds authorized but not yet issued		—
Total bonds authorized		980,000,000
Proceeds from 2003 G.O. Bond swap of 2001 COPS		25,710,210
Interest earned for the period from May 20, 2003 (inception) through June 30, 2011		43,037,241
Proceeds from sale of property purchased with bond funds		29,974,680
Other		28,747
Total bonds authorized, interest earned, proceeds from sale of property, and other		1,078,750,878
Less expenditures of bond proceeds for the period from May 20, 2003 (inception) through June 30, 2011		(1,012,472,596)
Total authorized and issued bond funds available at June 30, 2011	$	66,278,282

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Proposition AA Bond Construction Program Statement of Expenditures of Bond Proceeds Performed in Accordance with *Government Auditing Standards*

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

We have audited the statement of expenditures of bond proceeds of the Proposition AA Bond Construction Program of the Los Angeles Community College District (the District) for the year ended June 30, 2011, and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the statement of expenditures of bond proceeds, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identity all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency and that is described in the accompanying schedule of findings and responses as item BA-11-01. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's statement of expenditures of bond proceeds of the Proposition AA Bond Construction Program is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, agreements, noncompliance with which could have a direct and material effect on the determination of amounts included in the statement of expenditures of bond proceeds. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's board of trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 15, 2012

BA-11-01: Bond Construction Program

Condition and Context

The Los Angeles Community College District (the District) has contracted with a program management firm to manage the District's Proposition AA General Obligation Bond Construction Project (the Project) known as BuildLACCD (the Program Manager). When combined the issues noted below represent a significant deficiency in internal control over financial reporting:

- During our testwork over the recording of expenditures, we noted invoices totaling $42,263 were not accrued in the proper period. We then extrapolated the errors noted in the population resulting in an estimated $95,132 of expenditures being reported in the wrong period.
- During our testwork over expenditures, we were informed by the Program Manager that they had noted control deficiencies where expenditures incurred were charged to the incorrect funding source. The impact of the reclassifications between bond measures resulted in a $2,354,614 decrease in 2010 expenditures and a $2,012,500 increase in 2011 expenditures resulting in a $342,114 net decrease in total Project expenditures. The Program Manager identified the deficiencies as part of a compensating control implemented during FY2011. As part of the compensating control, the Program Manager performed an analysis and properly reclassified the unallowable expenditures for these identified projects to the appropriate funding source and adjusted the expenditures incorrectly charged to the Project. The expenditures reported for the period from April 10, 2001 (inception) through June 30, 2010 have been adjusted in the accompanying Supplementary Schedule of Expenditures of Bond Proceeds to reflect the aforementioned reclassifications.
- During our testwork over furniture, fixtures, and equipment purchases, we noted that the District does not currently reconcile furniture, fixtures, and equipment purchased with bond proceeds to the actual items received and tagged. Since a reconciliation is not performed, there is a risk to the District that subsequent sales of furniture, fixtures, or equipment will not be properly recorded in the District's financial statements. Based on information included in the supplementary schedule of expenditures of bond proceeds, the Project has spent $36,414,098 on furniture, fixtures, and equipment since the inception of the Project.
- During our testwork over potential related-party transactions, we noted that there do not appear to be adequate controls in place to reconcile the information included in the Form 700 with vendors or subcontractors utilized by the District. The District requires all employees designated in the Los Angeles Community College District Administrative Regulations as C-5 Categories and C-6 Designated Positions as having procurement oversight responsibility to annually submit a California Fair Political Practices Commission Statement of Economic Interests (Form 700) and the Board of Trustees Rule XIV, Conflict of Interest Code for the Los Angeles Community College District.

(Continued)

Cause and Effect

Effective July 2007, the District's board of trustees approved the current Program Manager to oversee all bond funded capital improvements. The Program Manager is responsible for maintenance of the master schedule of work performed, program budgets, accounting, contracting, and development. The Program Manager performs cutoff procedures during the District's closing process; however, the Program Manager did not perform adequate cutoff procedures related to expenditures paid for in the current year that related to the previous fiscal year.

Additionally, there do not appear to be adequate controls in place over the receipt and tacking of furniture, fixtures, and equipment. In 2010, the District contracted with a new asset management firm, Annams Systems Corporation, to record and track furniture, fixtures, and equipment purchases funded through bond proceeds as well as furniture, fixtures, and equipment disposals. Although the District has properly capitalized the furniture, fixtures, and equipment purchases made during the year, since the assets were not reconciled with the Program Manager's records, the District did not record this furniture, fixtures, and equipment into its Asset Management system. Lack of updating the inventory records into the District's Asset Management system increases the risk of possible loss and misuse of assets.

The lack of controls to reconcile the information included in California Fair Political Practices Commission Statement of Economic Interests (Form 700) and the Board of Trustees Rule XIV, Conflict of Interest Code for the Los Angeles Community College District to the vendors and subcontractors employed as part of the District's bond program appears to be due to resource limitations and the lack of controls in place at the District. Perceived or actual conflicts of interest can exist if this information is not reconciled and reviewed in a timely manner.

Criteria

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We believe the control deficiencies described above in aggregate represent a significant deficiency in internal control.

Recommendation

We recommend that the District work with the Program Manager to strengthen the internal controls related to the review of expenditures funded by the bond program to ensure the expenditures incurred are recorded in the proper accounting period. Additionally, the District needs to establish processes and procedures to track, record, and reconcile fixed asset purchases and sales. We also recommend that the District strengthen its controls related to the reporting and tracking of potential conflicts of interest. These procedures could include expanding the representations made by vendors and subcontractors to require self-reporting of potential conflicts of interest.

Views of Responsible Officials and Planned Corrective Action

Proper Period

Management agrees with the exception amount of $42,263. The finding relates to two professional services expenditures that were recorded in FY 10-11, but were incurred in FY 09-10. Management notes that professional services (Architectural and Engineering – A&E firms) are typically invoiced for services on an irregular basis. Additional sample testing will be performed on A &E professional service during next year's closing process. Management implemented an accrual process during fiscal year prior to year-end of June 30, 2009 to meet the requirements of U.S. generally accepted accounting principles (GAAP). Later, a two-part accrual review process was implemented during the fiscal year-end of June 30, 2010. For the past two years, the Program Manager has provided training to the College Project Manager's (CPM) regarding the policies for recording accruals. For the year ended June 30, 2011, the Program Manager implemented an additional third internal review test sampling of expenditures for proper period reporting. The test sampling includes all significant expenditures over established materiality thresholds. The Program Manager implemented during FY 10-11 an additional control with the use of mandatory "work start and end" date fields in the invoice tracking log that is entered by the CPM staff in the Program Manager system for each and every invoice.

We strongly believe that these controls and the current procedures allow management to record and report reliable data.

Allowability of Bond Expenditures

Management agrees with the observation noted. Management noted control deficiencies prior to FY 2011 where expenditures incurred against Proposition AA funds were used to construct projects not on the Proposition AA project list. During FY 10-11 a compensating control was implemented to analyze bond expenditures that were charged to the incorrect funding source. Management performed an analysis to determine if the projects are properly funded and expended based on the approved project list from the ballot language approved by the voters. During our review, we noted two projects where Proposition AA projects were incorrectly funded with other funding sources. Management has prepared memos to document each of the two projects identified. Subsequent to June 30, 2011, Program Management has also posted adjusting journal entries to reclassify expenditures incurred to the correct funding source. Management will continue perform the compensating control as it has proven to be effective.

Furniture, Fixtures, and Equipment

The District agrees with the finding and continues to work to improve the process of reconciling and reporting of bond funded furniture, fixtures and equipment (FF&E) purchases to the actual equipment received and tagged as noted below from Phase I to Phase III. In August 2010, the Program Manager went live using the District's accounting system (SAP) for recording all new FF&E purchases, which only capitalizes FF&E acquisitions of $5,000 or greater. Subsequent to August 2010, the District reconciles all new FF&E purchases received and entered into SAP with Program Manager's accounting system.

Annam's Systems Corporation was selected and contracted on January 28, 2010 to be the Asset Management consultant to provide the following items; Phase I - Strategic Planning, Phase II - Technology Solution and Implementation and Phase III - Baseline Inventory and Reconciliation.

(Continued)

Currently, the District is performing Phase II and III concurrently in order to expedite the inventory and reconciliation. Completion of Phase III, Baseline Inventory and the Reconciliation is expected to be complete by June 30, 2012. Upon completion of the baseline inventory, a complete reconciliation will be performed between the various systems. The reconciliation will separate all previous FF&E assets of $5,000 or greater for capitalization from the FF&E assets below $5,000 threshold for no capitalization. The completed inventory will be reflected in the District's Asset Management system in SAP which will conclude Phase III. Phase II work will be on-going as technology implementation and system enhancements occur and is expected to be complete by December 31, 2012.

Form 700

The Inspector General researched the practices of other agencies in reconciling Form 700 filings with contract awards. The best solution appears to be moving to e-filing of Form 700's with a connection to the vendor database. Staff has developed a plan for acquisition and implementation of e-filing Form 700's as part of the annual requirement in March, with the corresponding check against contract authorizations going forward.

KPMG

LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE J BOND CONSTRUCTION PROGRAM

Statement of Expenditures of Bond Proceeds
and Supplementary Schedule

Year ended June 30, 2011

(With Independent Auditors' Reports Thereon)

LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE J BOND CONSTRUCTION PROGRAM

Table of Contents

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Independent Auditors' Report

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

We have audited the accompanying statement of expenditures of bond proceeds of the Measure J Bond Construction Program of the Los Angeles Community College District (the District) for the year ended June 30, 2011, as listed in the accompanying table of contents. The statement of expenditures of bond proceeds is the responsibility of the District's management. Our responsibility is to express an opinion on the accompanying statement of expenditures of bond proceeds based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of expenditures of bond proceeds is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of expenditures of bond proceeds, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 2 to the statement of expenditures of bond proceeds, the accompanying statement of expenditures of bond proceeds was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools and Financial Accountable Act*.

In our opinion, the statement of expenditures of bond proceeds referred to above presents fairly, in all material respects, the expenditures of bond proceeds of the Measure J Bond Construction Program for the year ended June 30, 2011 in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the 2011 statement of expenditures of bond proceeds. The accompanying supplementary schedule of expenditures of bond proceeds of the Measure J Bond Construction Program of the District for the year ended June 30, 2011 and the period from

November 4, 2008 (inception) through June 30, 2010 is presented for purposes of additional analysis and is not a required part of the statement of expenditures of bond proceeds. The supplementary schedule of expenditures of bond proceeds has not been subjected to the auditing procedures applied in the audit of the statement of expenditures of bond proceeds for the year ended June 30, 2011, and accordingly, we express no opinion on it.

KPMG LLP

March 15, 2012

LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE J BOND CONSTRUCTION PROGRAM

Statement of Expenditures of Bond Proceeds

Year ended June 30, 2011

College direct costs:	
Structural and equipment costs:	
Construction (new)	$ 124,628,152
Construction (renovation)	83,184,205
Temporary facilities	760,843
Furniture, fixtures, and equipment	18,933,835
Total structural and equipment costs	227,507,035
Other costs:	
Land acquisition	18,887,235
Total other costs	18,887,235
Development and support costs:	
Master planning/environmental impact report	855,031
Predesign/programming	184,920
Design	55,532,503
Specialty consulting	35,044,153
Project management	25,100,652
Inspection and testing	6,234,650
Reimbursables	986,680
Total development and support costs	123,938,589
Total college direct costs	370,332,859
Programwide costs:	
Program management	19,782,753
Legal consulting fees	3,691,509
Compliance and audit fees	738,494
Bond measure election costs	2,550
Rents and leases	3,227,719
Total programwide costs	27,443,025
Total college direct costs and programwide costs	$ 397,775,884

See accompanying notes to statement of expenditures of bond proceeds.

(1) Program Background

In April 2001, the Los Angeles Community College District (the District) became the first community college district in the State of California to pass a property tax financed bond (Proposition A) under the requirements of the Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*, of the State of California (the Act). Effective April 12, 2007, the District's board of trustees approved an award of the contract for program management (Program Manager) services to URS Corporation. The Program Manager is responsible for managing all program-related activities, including the maintenance of the master schedule and the master program budget. The Program Manager provides its own staff and services for budgeting, accounting, contracting, and supervising the program development.

The program is intended to increase educational opportunities, raise student achievement, and improve health and safety conditions on the campuses of the nine colleges within the District through the replacement and/or repair and rehabilitation of deteriorating buildings; the construction, furnishing, and equipping of classrooms, laboratories, libraries, and related facilities; the repair and upgrading of electrical wiring for computer technology, heating, air conditioning, and plumbing; complete earthquake retrofitting; improvement of campus safety, fire security, parking, and lighting; and the improvement of current or to be acquired real property to relieve overcrowding of the facilities on these campuses.

The District's board of trustees approved an award of the contract for program management (Program Manager) services to Daniel, Mann, Johnson & Mendenhall/Jenkins/Gales & Martinez, Inc. (DMJM/JGM). Effective April 12, 2007, DMJM/JGM was replaced by a new Program Manager, URS Corporation. The current contract between the District and Program Manager expires April 12, 2012.

The Program Manager is responsible for managing all program-related activities, including the maintenance of the master schedule and the master program budget. The Program Manager provides its own staff and services for budgeting, accounting, contracting, and supervising the program development.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds has been prepared on the accrual basis of accounting. The Act requires an annual, independent financial audit of the proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the accompanying statement of expenditures of bond proceeds includes amounts expended for capital outlay.

(3) Bond Issuances

On November 4, 2008, the voters of the Los Angeles County (the County) passed Measure J, a $3.5 billion G.O. Bond measure. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

On March 19, 2009, the District issued the 2009 Series A G.O. Bonds (Measure J) in the amount of $350,000,000 and the 2009 Taxable Series B G.O. Bonds (Measure J) in the amount of $75,000,000 with various interest rates ranging from 4.50% to 7.53%, maturing in 2034.

On July 22, 2010, the District issued $900,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Series E Build America Bonds with 6.60% and 6.75% interest rates maturing in 2049. The proceeds are to be used to finance the construction, equipping, and improving of college and support facilities at nine colleges.

On August 10, 2010, the District issued $175,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Series C with 5.25% interest rate maturing in 2039. On August 10, 2010, the District issued $125,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Taxable Series D with 6.68% interest rate maturing in 2036. The proceeds from these two issues were used to pay off the bond anticipation notes (BAN) payable of $300,000,000 received in June 2010.

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF BOND PROCEEDS

LOS ANGELES COMMUNITY COLLEGE DISTRICT
MEASURE J BOND CONSTRUCTION PROGRAM

Supplementary Schedule of Expenditures of Bond Proceeds

Year ended June 30, 2011 and
period from November 4, 2008 (inception) through June 30, 2010

(Unaudited)

	Revised budget	Actual expenditures: Period from November 4, 2008 (inception) through June 30, 2010	Actual expenditures: Year ended June 30, 2011	Actual expenditures: Cumulative actual expenditures through June 30, 2011	Cumulative reimbursements from state	Cumulative total
College direct costs:						
Structural and equipment costs:						
Construction (new)	$ 1,773,816,095	77,353,025	124,628,152	201,981,177	(6,991,104)	194,990,073
Construction (renovation)	582,848,409	121,013,045	83,184,205	204,197,250	(4,318,371)	199,878,879
Temporary facilities	11,113,331	2,336,940	760,843	3,097,783	—	3,097,783
Furniture, fixtures, and equipment	198,601,323	38,474,781	18,933,835	57,408,616	(1,489,454)	55,919,162
Total structural and equipment costs	2,566,379,158	239,177,791	227,507,035	466,684,826	(12,798,929)	453,885,897
Other costs:						
Land acquisition	70,239,305	45,249,660	18,887,235	64,136,895	—	64,136,895
Total other costs	70,239,305	45,249,660	18,887,235	64,136,895	—	64,136,895
Development and support costs:						
Master planning/environmental impact report	9,314,058	3,249,459	855,031	4,104,490	—	4,104,490
Predesign/programming	6,727,394	3,381,123	184,920	3,566,043	—	3,566,043
Design	252,541,459	66,351,104	55,532,503	121,883,607	(635,899)	121,247,708
Specialty consulting	224,328,347	52,601,814	35,044,153	87,645,967	—	87,645,967
Project management	170,987,927	22,111,993	25,100,652	47,212,645	—	47,212,645
Inspection and testing	75,254,615	4,885,075	6,234,650	11,119,725	(146,535)	10,973,190
Reimbursables	5,742,063	1,392,308	986,680	2,378,988	—	2,378,988
Total development and support costs	744,895,863	153,972,876	123,938,589	277,911,465	(782,434)	277,129,031
Total college direct costs	3,381,514,326	438,400,327	370,332,859	808,733,186	(13,581,363)	795,151,823
Programwide costs:						
Program management	97,476,092	22,508,390	19,782,753	42,291,143	—	42,291,143
Legal consulting fees	20,930,582	3,211,828	3,691,509	6,903,337	—	6,903,337
Compliance and audit fees	—	281,350	738,494	1,019,844	—	1,019,844
Bond measure election costs	—	963,638	2,550	966,188	—	966,188
Rents and leases	79,000	513,286	3,227,719	3,741,005	—	3,741,005
Total programwide costs	118,485,674	27,478,492	27,443,025	54,921,517	—	54,921,517
Total college direct costs and programwide costs	3,500,000,000	$ 465,878,819	397,775,884	863,654,703	(13,581,363)	850,073,340
Unallocated budget	20,145,566					
Total	$ 3,520,145,566					

See accompanying independent auditors' report and notes to supplementary schedule of expenditures of bond proceeds.

(1) Background

The supplementary schedule of expenditures of bond proceeds presents expenditures for the year ended June 30, 2011 and the period from November 4, 2008 (inception) through June 30, 2010.

(2) Basis of Presentation

The accompanying statement of expenditures of bond proceeds has been prepared on the accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*, of the State of California (the Act) requires an annual, independent financial audit of the proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the accompanying statement of expenditures of bond proceeds includes amounts expended for capital outlay.

The supplementary schedule of expenditures of bond proceeds includes the following:

(a) Budget

The amounts included within the budget column in the accompanying supplementary schedule of expenditures of bond proceeds represent estimates of the costs that will be expended to complete the various projects at each of the Los Angeles Community College District's (the District) colleges.

(b) Cumulative Actual Expenditures

The amounts included within the actual expenditures cumulative total column in the accompanying supplementary schedule of expenditures of bond proceeds represent actual cumulative expenditures paid and/or incurred from Measure J bond proceeds by the District for the period from November 4, 2008 (inception) through June 30, 2011.

(c) Interest Earned

Interest earned on bond issuances that have not been expended is added to project budgets upon approval by the college presidents. Interest earned that has not yet been approved for specific projects is included in unallocated interest earned.

(d) Cumulative Reimbursements from State

During the period from November 4, 2008 (inception) through June 30, 2011, the District received amounts from the State of California as reimbursement for various multifunded projects. These projects were to be funded by both state funds and bond proceeds. Prior to filing claims and receipt of funds from the state, eligible bond proceeds were used to fund the projects. The reimbursements received by the District have been reflected in the accompanying supplementary schedule of expenditures of bond proceeds as a reduction of expenditures made with bond proceeds by cost classification on a cumulative basis.

(e) Reclassifications

Certain reclassifications were made between the District's bond programs resulting in changes to the expenditure column for amounts reported for the period from inception through June 30, 2010.

(3) Reconciliation of Bond Proceeds

The following is a summary of total authorized and issued bond funds available at June 30, 2011:

Bonds authorized and issued	$	1,625,000,000
Bonds authorized but not yet issued		1,875,000,000
Total bonds authorized		3,500,000,000
Interest earned for the period from November 4, 2008 (inception) through June 30, 2011		20,145,566
Total bonds authorized and interest earned		3,520,145,566
Less expenditures of bond proceeds for the period from November 4, 2008 (inception) through June 30, 2011		(850,073,340)
Less unissued bonds at June 30, 2011		(1,875,000,000)
		795,072,226
Bond anticipation note received and unpaid as of June 30, 2010		300,000,000
Bond anticipation note repaid as of June 30, 2011		(300,000,000)
Total authorized and issued bond funds available at June 30, 2011	$	795,072,226

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Measure J Bond Construction Program Statement of Expenditures of Bond Proceeds Performed in Accordance with *Government Auditing Standards*

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

We have audited the statement of expenditures of bond proceeds of the Measure J Bond Construction Program of the Los Angeles Community College District (the District) for the year ended June 30, 2011, and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the statement of expenditures of bond proceeds, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identity all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency and that is described in the accompanying schedule of findings and responses as item BA-11-01. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's statement of expenditures of bond proceeds of the Measure J Bond Construction Program is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, agreements, noncompliance with which could have a direct and material effect on the determination of amounts included in the statement of expenditures of bond proceeds. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's board of trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 15, 2012

BA-11-01: Bond Construction Program

Condition and Context

The Los Angeles Community College District (the District) has contracted with a program management firm to manage the District's Measure J General Obligation Bond Construction Project (the Project) known as Build LACCD (the Program Manager). When combined the issues noted below represent a significant deficiency in internal control over financial reporting:

- During our testwork over the recording of expenditures, we noted invoices totaling $435,246 were not accrued in the proper period. We then extrapolated the errors noted in the population tested resulting in an estimated $659,985 of expenditures being reported in the wrong period.
- During our testwork over the allowability of expenditures charged to the Project, we noted $142,048 of expenditures related to a Sheriff's station at Mission College were incorrectly charged to the Project. On further investigation, we noted additional expenditures related to the Sheriff's station not included in our sample resulting in a total of $575,859 of expenditures incorrectly charged to the project.
- During our testwork over the allowability of expenditures charged to the Project, we noted $3,562,102 of expenditures at Southwest College were incorrectly charged to the Project. These expenditures were not included in the list of specific school facilities projects to be funded by the Project.
- During our testwork over expenditures, we were informed by the Program Manager that they had noted control deficiencies where expenditures incurred were charged to the incorrect funding source. The impact of the reclassifications between bond measures resulted in a $1,755,216 increase in 2010 expenditures and a $2,012,500 decrease in 2011 expenditures resulting in a $257,284 net decrease in total Project expenditures. The Program Manager identified the deficiencies as part of a compensating control implemented during FY2011. As part of the compensating control, the Program Manager performed an analysis and properly reclassified the unallowable expenditures for these identified projects to the appropriate funding source and adjusted the expenditures incorrectly charged to the Project. The expenditures reported for the period from April 10, 2001 (inception) through June 30, 2010 have been adjusted in the accompanying Supplementary Schedule of Expenditures of Bond Proceeds to reflect the aforementioned reclassifications.
- During our testwork over furniture, fixtures, and equipment purchases, we noted that the District does not currently reconcile furniture, fixtures, and equipment purchased with bond proceeds to the actual items received and tagged. Since a reconciliation is not performed, there is a risk to the District that subsequent sales of furniture, fixtures, or equipment will not be properly recorded in the District's financial statements. Based on information included in the supplementary schedule of expenditures of bond proceeds, the Project has spent $56,005,689 on furniture, fixtures, and equipment since the inception of the Project.

- During our testwork over potential related-party transactions, we noted that there do not appear to be adequate controls in place to reconcile the information included in the Form 700 with vendors or subcontractors utilized by the District. The District requires all employees designated in the Los Angeles Community College District Administrative Regulations as C-5 Categories and C-6 Designated Positions as having procurement oversight responsibility to annually submit a California Fair Political Practices Commission Statement of Economic Interests (Form 700) and the Board of Trustees Rule XIV, Conflict of Interest Code for the Los Angeles Community College District.

Cause and Effect

Effective July 2007, the District's board of trustees approved the current Program Manager to oversee all bond-funded capital improvements. The Program Manager is responsible for maintenance of the master schedule of work performed, program budgets, accounting, contracting, and development. The Program Manager performs cutoff procedures during the District's closing process; however, the Program Manager did not perform adequate cutoff procedures related to expenditures paid for in the current year that related to the previous fiscal year. The unallowable expenditures funded by the Project appear to be due to ineffective controls over the review of allowability of expenditures when originally incurred.

Additionally, there do not appear to be adequate controls in place over the receipt and tacking of furniture, fixtures, and equipment. In 2010, the District contracted with a new asset management firm, Annams Systems Corporation, to record and track furniture, fixtures, and equipment purchases funded through bond proceeds as well as furniture, fixtures, and equipment disposals. Although the District has properly capitalized the furniture, fixtures, and equipment purchases made during the year, since the assets were not reconciled with the Program Manager's records, the District did not record this furniture, fixtures, and equipment into its Asset Management system. Lack of updating the inventory records into the District's Asset Management system increases the risk of possible loss and misuse of assets.

The lack of controls to reconcile the information included in California Fair Political Practices Commission Statement of Economic Interests (Form 700) and the Board of Trustees Rule XIV, Conflict of Interest Code for the Los Angeles Community College District to the vendors and subcontractors employed as part of the District's bond program appears to be due to resource limitations and the lack of controls in place at the District. Perceived or actual conflicts of interest can exist if this information is not reconciled and reviewed in a timely manner.

Criteria

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We believe the control deficiencies described above in aggregate represent a significant deficiency in internal control.

Recommendation

We recommend that the District work with the Program Manager to strengthen the internal controls related to the review of expenditures funded by the bond program to ensure the expenditures incurred are recorded in the proper accounting period. Additionally, the District needs to establish processes and procedures to track, record, and reconcile fixed asset purchases and sales. We also recommend that the District strengthen its controls related to the reporting and tracking of potential conflicts of interest. These procedures could include expanding the representations made by vendors and subcontractors to require self-reporting of potential conflicts of interest.

Views of Responsible Officials and Planned Corrective Action

Proper Period

Management agrees with the exception of $435,246. The finding primarily relates to professional services expenditures that were recorded in FY 10-11, but were incurred in FY 09-10. Management notes that professional services (Architectural and Engineering – A&E firms) are typically invoiced for services on an irregular basis. Additional sample testing will be performed on A&E professional service during next year's closing process. Management implemented an accrual process during the fiscal prior to year-end of June 30, 2009 to meet the requirements of U.S. generally accepted accounting principles (GAAP). Later, a two-part accrual review process was implemented during the fiscal year-end of June 30, 2010. For the past two years, the Program Manager has provided training to the College Project Manager's (CPM) regarding the policies for recording accruals. For the year ended June 30, 2011, the Program Manager implemented an additional third internal review test sampling of expenditures for proper period reporting. The test sampling includes all significant expenditures over established materiality thresholds. The Program Manager implemented during FY 10-11 an additional controls with the use of mandatory "work start and end" date fields in the invoice tracking log that is entered by the CPM staff in the Program Manager's system for each and every invoice.

We strongly believe that these controls and the current procedures allow management to record and report reliable data.

Allowability of Bond Expenditures

Management agrees with the observation noted. Management noted control deficiencies prior to FY 2011 where expenditures incurred were Measure J funds were used to construct projects not on the Measure J project list. During FY 10-11 a compensating control was implemented to analyze bond expenditures that were charged to the incorrect funding source. Management performed an analysis to determine if the projects are properly funded and expended based on the approved project list from the ballot language approved by the voters. During our review, we noted one project in addition to the Southwest Sheriff substation listed above where Measure J projects were incorrectly funded with other funding sources. Management has prepared memos to document each of the two projects identified. Subsequent to June 30, 2011, Management has also posted adjusting journal entries to reclassify expenditures incurred to the correct funding source. Management will continue to perform the compensating control as it has proven to be effective.

Los Angeles Mission College

Management agrees with the $142,048 exception noted at Los Angeles Mission College (Mission). Management noted that Measure J funds were used to construct a Sheriff substation at Mission. The project was included on the Proposition A & AA project lists, but not on the 2008 Measure J bond project list. However, the District's Bond counsel has ruled that Proposition 39 does not require the District to restore or reimburse the Bond Building Fund. The existing control to review project approval was further strengthened during FY 09-10. For all new projects, the CPM must submit for PMA-0041 to the Program Manager. Form PMA-0041 cites the project scope to be completed as it relates to Measure J project list. The scope of the project is confirmed by the Program Construction Department who verifies that the project scope relates to the Measure J project list. The Program Manager's Program Controls team verifies that the project scope relates to the Measure J project list as well as verifying the project budget approved by the campus college president. The final Proposed Board Action (PBA) cannot be signed and presented to the Board of Trustees for consideration until the above control is completed. These additional controls will ensure Proposition 39 compliance with relation to the 2008 Measure J project list.

Los Angeles Southwest College

Management agrees with this finding. The Los Angeles Southwest College (Southwest) Sheriff substation was not included on the 2008 Measure J ballot bond project list (Measure J project list). Bond counsel has ruled that the Proposition 39 does not require the District to restore or reimburse the Bond Building Fund. The existing control to review project approval was further strengthened during FY 09-10. For all new projects, the CPM must submit form PMA-0041 to the program manager. Form PMA-0041 cites the project scope to be completed as it relates to Measure J project list. The scope of the project is confirmed by the Program Construction Department who verifies that the project scope relates to the Measure J project list. The Program Manager's Program Controls team verifies that the project scope relates to the Measure J project list as well as verifying the project budget approved by the campus college president. The final Proposed Board Action (PBA) cannot be signed and presented to the Board of Trustees for consideration until the above procedures are completed. These additional controls will ensure Proposition 39 compliance with relation to the 2008 Measure J project list.

Furniture, Fixtures, and Equipment

The District agrees with the finding and continues to work to improve the process of reconciling and reporting of bond funded furniture, fixtures and equipment (FF&E) purchases to the actual equipment received and tagged as noted below from Phase I to Phase III. In August 2010, the Program Manager went live using the District's accounting system (SAP) for recording all new FF&E purchases, which only capitalizes FF&E acquisitions of $5,000 or greater. Subsequent to August 2010, the District reconciles all new FF&E purchases received and entered into SAP with Program Manager's accounting system.

Annam's Systems Corporation was selected and contracted on January 28, 2010 to be the Asset Management consultant to provide the following items; Phase I - Strategic Planning, Phase II - Technology Solution and Implementation and Phase III - Baseline Inventory and Reconciliation.

Currently, the District is performing Phase II and III concurrently in order to expedite the inventory and reconciliation. Completion of Phase III, Baseline Inventory and the Reconciliation is expected to be complete by June 30, 2012. Upon completion of the baseline inventory, a complete reconciliation will be performed between the various systems. The reconciliation will separate all previous FF&E assets of $5,000 or greater for capitalization from the FF&E assets below $5,000 threshold for no capitalization. The completed inventory will be reflected in the District's Asset Management system in SAP which will conclude Phase III. Phase II work will be on-going as technology implementation and system enhancements occur and is expected to be complete by December 31, 2012.

Form 700

The Inspector General researched the practices of other agencies in reconciling Form 700 filings with contract awards. The best solution appears to be moving to e-filing of Form 700's with a connection to the vendor database. Staff has developed a plan for acquisition and implementation of e-filing Form 700's as part of the annual requirement in March, with the corresponding check against contract authorizations going forward.