

Los Angeles Community College District

Follow-Up Report

**Los Angeles Community College District
770 Wilshire Blvd, Los Angeles, CA 90017**

**Submitted to:
Accrediting Commission for Community and Junior Colleges,
Western Association of Schools and Colleges**

October 15, 2013

Follow-Up Report

**To: Accrediting Commission for Community and Junior Colleges,
Western Association of Schools and Colleges**

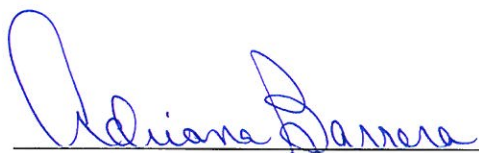
From: Dr. Adriana Barrera, Interim Chancellor

Los Angeles Community College District

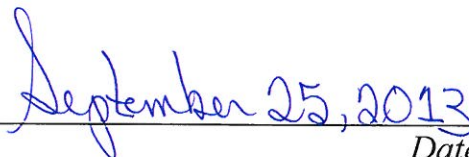
770 Wilshire Blvd., Los Angeles, CA 90017

I certify that there was broad participation by the District and believe this report accurately reflects the nature and substance of this institution.

Signatures:



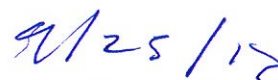
Dr. Adriana Barrera, Interim Chancellor



Date



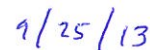
Miguel Santiago, President, Board of Trustees



Date



*Maury Pearl, Acting Vice Chancellor,
Educational Programs and Institutional Effectiveness*



Date

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Statement of Report Preparation

This Follow-Up Report addresses the ACCJC concerns stated in a letter to Interim Chancellor Dr. Adriana Barrera dated July 3, 2013. The report addresses District Recommendation 1, on continuing actions to strengthen oversight and control of the District's bond construction program, District Recommendation 2, on actions taken to address audit findings, and a concern regarding reporting of the District's consolidated position related to the filing of the District colleges' Annual Fiscal Reports.

The report was compiled and written by Maury Pearl, Acting Vice Chancellor, LACCD Office of Educational Programs and Institutional Effectiveness, and Deborah Kaye, Accreditation Liaison, LACCD Office of Educational Programs and Institutional Effectiveness

Listed below are other District personnel who contributed information for this report:

District Recommendation 1	Title
James O'Reilly	Chief Facilities Executive
Tom Hall	Director, Facilities Planning and Development
Dan Minkoff	Communications & District Support, Build-LACCD
Mona Garber	Compliance Manager, Build-LACCD
Terrie Mestas	Program Manager, Build-LACCD
District Recommendation 2	
Jeanette Gordon	Chief Financial Officer/Treasurer
Vinh Nguyen	Director, Budget and Management Analysis
Charalambos Ziogas	Director, Accounting Department
Arnold Blanshard	Director, Internal Audit
Andrew Duran	SAP ERP Manager
Jorge Mata	Chief Information Officer

District Recommendation 1:

In order to meet the Standards and Eligibility Requirements, the Teams recommend that the District actively and regularly review the effectiveness of the construction bond oversight structure and the progress in the planned lifting of the moratorium to ensure the financial integrity of the bond programs, and the educational quality of its institutions as affected by the delays of the planned facilities projects (Standard III.B.1.a; III.D.2.a; IV.B.1.c; Eligibility Requirements 17 and 18).

As the Los Angeles Community College District's construction program has progressed, revitalizing our campuses, the District has continued to strengthen bond oversight and control through continual review of its effectiveness.

The framework for improving the bond program was provided by an Independent Review Panel in January 2012, which issued a report on the District's building program (**1.1 Independent Review Panel Report**). Many steps have been taken by the District to address the 17 recommendations in the report. A thorough progress report was provided in the April 1, 2013 Special Report on actions taken up to that point (**1.2 April 1, 2013 Special Report**). The ACCJC visiting team report verified that tremendous progress had been made (**1.3 Visiting Team Report May 2013**). The following are new or continuing efforts to ensure the program is effective and efficient:

Actions Taken Related to the Independent Review Panel Report

1. Impose a Moratorium on New Projects and Board Directives

The moratorium allowed the District to step back and conduct a thorough evaluation to determine whether certain criteria had been met. The moratorium is now over.

2. Modify the Building Program Management Structure to a More Centralized Model

Since the Board passed a Board Resolution in September 2012 that changed the bond management structure to a more centralized approach (**1.4 Board Resolution centralizing accountability controls**), the District has been working on measures of performance – Key Performance Indicators (KPIs). The KPIs incorporate industry standards as benchmarks and will allow assessment of effectiveness of the centralized model going forward (**1.5 Key Performance Indicators training presentation**).

3. Maintain an Adequate Program Reserve

Since the Board responded with a Board Resolution on May 23, 2013 to adopt a policy for funding the District's bond program reserve (**1.6 Board Resolution funding bond program reserve**), which set aside \$160 million for the risks associated with anticipated and unanticipated costs, projects have undergone risk analysis to determine the adequacy of the \$160 million put-aside. Risk management reports on each project are continuously reviewed by District program management in its effort to monitor and mitigate potential risk (**1.7 Risk register**). Training on risk management (**1.8 Risk Management Awareness Course**) has been provided to employees (**1.9 Risk Management Training sign-in sheets**).

4. Audit Update to Financial Reporting

The reconciliation process developed as a result of receiving this recommendation (**1.10 [Monthly Bond Expenditure Budget Reconciliation Protocol](#)**) continues to be used (**1.11 [sample monthly reconciliation](#)**), with meetings held monthly.

5. Managing Change Orders

Outside Construction Counsel reviewed the current interpretation of the 10% change order limit and concluded that it was too restrictive. A resolution will be brought to the Board to change Board Rules so that the District's change order policy will be consistent with other community colleges in the state (**1.12 [Bond Program Standard Operating Procedures](#)**).

6. Proper Role of Shared Governance in the Building Program

There have been no changes since a Board Resolution in September 2012 changed the bond program management structure to a more centralized approach.

7. Assess the Energy Program

The District developed and implemented an energy program headed by AECOM (its new bond program manager) that is currently in the process of assessing the return on investment (ROI) of past projects and the use of remaining funds, including Prop 39, for future energy-related projects (**1.13 [Energy Road Map and Project List](#)**). This analysis will enable an evaluation of the effectiveness of current and prospective energy projects (**1.14 [Energy Charter](#)**).

8. Manage District Wide Technology Initiatives

The District is in the process of implementing the Student Information System (SIS) and the CMMS (work and service order system) – both of which are well underway – in addition to the District physical security one-card system. The Board receives regular reports on progress in implementing these technology initiatives (**1.15 [Board Reports on technology initiatives](#)**).

9. Audit and Evaluate Design Management

In addition to the two delivery options for the bonds -- Design Bid Build for Prop A/AA Projects and Design Build for most of the Measure J Projects – a third delivery model has been introduced – Lease-Leaseback. This option will allow “best value” selection, help minimize the number of change orders and allows for a contingency that can be utilized during construction (**1.16 [Lease-Leaseback Project Delivery resolutions](#)**).

10. Better Control of Construction Management

The District has conducted an enterprise-wide review and update of existing procedures and, where needed, has developed new procedures. New Standard Operating Procedures (SOPs) provide standard processes across all areas of the program. These SOPs will be web-enabled and available 24/7 to project and program stakeholders. In addition, the Program Manager is in the process of implementing Key Performance Indicators (KPIs) that focus on quality, cost, and schedule. These will provide a monthly performance score to better monitor the program's progress (**1.17 [Key Performance Indicators training presentation](#)**).

11. Hard vs. Soft Costs

No District action was required in this area.

12. Compliance with Proposition 39

The District has received official acceptance of the methodology of its program from the California State Attorney General (**1.18 [Prop 39 compliance verification letter](#)**).

13. Review and Revise the District Citizen's Oversight Committee (DCOC)

In addition to the changes made since receiving this recommendation, the District has recently restructured the DCOC to include a smaller group with more concentration on industry experts in order to function more effectively (**1.19 [Board Resolution restructuring DCOC](#)**).

14. Hire a New Facilities Executive Director

This was done in March 2012.

15. Building Program Management

To fulfill the Board of Trustees' promise to continue to reform the bond construction program, the Board brought in a new program management firm, AECOM, a global provider of professional technical and management support services and a recognized industry leader in the field of project management (**1.20 <http://www.aecom.com/>**). The contract was approved on April 3, 2013 (**1.21 [Board authorization of PM contract](#)**). The new contract specifies deliverables from the Program Manager designed to continue and enhance the effective and responsible oversight and operation of the bond program. The new Program Manager has fulfilled many of the requirements and documented these efforts in a presentation to the Board of Trustees (part of the Chancellor's Report) on July 24, 2013 (**1.22 [PM update presentation](#)**).

Further confirmation that the deliverables were received by the District's Facilities Office was provided to the Board in September 2013 (**1.23 [Board letter September 11, 2013](#)**). A memo documents the various contract deliverables provided by the bond program management office related to financial accounting, governance, communications, project delivery, compliance, performance standards and other areas of responsibility (**1.24 [memo verifying contract deliverables](#)**).

As suggested in the recommendation, to ensure a seamless transition and maintain institutional knowledge, the District retained about one-third of the original staff (**1.25 [PMO contact list with retained staff highlighted](#)**).

16. Impact of New Facilities on Long Term Operating Budgets

The District hired a new consultant in August to conduct a study called Lifecycle on District long-term Maintenance and Operations needs. The consultant is in the process of compiling information and reviewing benchmarks related to industry standards (**1.26 [Scope of work for Lifecycle and Operations Assessment](#)**).

17. Ethical Considerations

The compliance training instituted as a result of this recommendation is conducted annually and is ongoing (**1.27 [Cost Principles and The Color of Money presentations](#)**) with the most recent one taking place in July 2013 (**1.28 [training sign-in sheet July 9 2013](#)**). The new program management team was required to complete Form 700 (Conflict of Interest) in order to verify they had no conflicts of interest.

Additional Actions Taken

In August 2013 the Board of Trustees created the Facilities Master Planning and Oversight Committee (FMP&OC) to replace the Capital Construction Committee. Its charge is to “provide policy guidance and program oversight for the maintenance and review of physical infrastructure tied to educational master plans, as well as the LACCD Sustainable Building Program including, but not limited to, review and approval of college master plans, District energy and sustainability goals, bond program management including compliance with the California Constitution and District cost principles, and project design concepts” (**1.29 [Board Rule establishing the FMP&OC](#)**). The new committee has a more formal structure and allows trustees to explore facilities-related issues and decisions in greater depth (**1.30 [FMP&OC agenda](#)**).

The Whistleblower Program is still being used and is now handled internally by the District’s Internal Audit Department. The District has also put out an RFP for a Bond Monitor (**1.31 [Bond Monitor Board Resolution](#)**).

District Recommendation 2:

In order to ensure the financial integrity of the District and the colleges, and to meet the Standards and Eligibility Requirements, the Teams recommend the resolution of the material weakness and significant deficiencies cited in the 2010 financial audit be fully effected by the completion of next year's audit, and appropriate systems be implemented and maintained to prevent future audit exceptions. (Standards III.D.2.a; IV.B.1.c; Eligibility Requirements 17 and 18)

The District has taken further steps to address this recommendation since those noted in the April 1, 2013 Special Report (**2.1 April 1, 2013 Special Report**) and verified in the ACCJC visiting team report (**2.2 Special Visit Evaluation Report May 2013**).

As of the June 2012 audited financial statement, all of the material weaknesses and significant deficiencies noted on the June 2010 audited financial statement were resolved except for two repeat findings (**2.3 LACCD Audit Tracking Report, June 2013**).

Actions Taken to Address the Finding on Capital Assets and General Obligation Bonds

The repeat material weakness finding first noted in 2010 consisted of the following elements:

- (1) Policies and procedures to reconcile capital asset expenses in the proper period according to GAAP

The District has implemented additional controls to address this finding. It created a revised format and an updated reconciliation procedure (**2.4 LACCD Monthly Bond Reconciliation Process, Revised August 2013**). The District is awaiting confirmation of the successful resolution of this finding after the completion of the 2013 audit in December 2013.

- (2) Reconciliation of furniture and equipment with regards to receiving and tagging of the equipment

This item has been fully implemented. The District has completed three phases for improving the process of reconciling and reporting bond-funded furniture, fixtures, and equipment:

Phase 1 Developing an Asset Management Strategy

Phase 2 Radio Frequency Identification and Technology Solutions

Phase 3 Physical Inventory and Asset Tracking and Reconciliation (**2.5 LACCD Fixed Asset Inventory and Reconciliation Report as of September 14, 2012**).

- (3) Inadequate controls to reconcile information included in the Form 700 (Conflict of Interest) with vendor subcontractors utilized by the District

The LACCD has fully addressed this concern. Software for E-filing of Form 700 was purchased in January 2012 and implemented (**2.6 Certification of Electronic Filing for Statements of Economic Interests, March 13, 2013**). The vendor look-up function has been implemented (**2.7**

[Purchase Order Screen with e-disclosure information](#)) and District Information Technology (IT) is working to automate this function.

Actions Taken to Address the Finding on Information Technology

The repeat significant deficiency first noted in 2010 was an Information Technology (IT) control weakness associated with security and change management. The LACCD has addressed security with the implementation of Mercury Quality Center and Security Weaver (Emergency Repair). As part of its continuous improvement philosophy, the SAP Information Technology Team, which had started its work before the latest audit, has now completed moving IT support access to Security Weaver. IT has also moved all basis staff to the Security Weaver application for management oversight and reporting. The SAP Security Manager conducts a complete review of access quarterly (2.8 [Quarterly IT Access Review Meeting Minutes, July 11, 2013](#)); (2.9 [SAP Security Weaver Review of Access](#)).

Super User Access has been removed, where appropriate, and SAP Basis and Security administrators have been moved to Security Weaver for management oversight and reporting. For non-SAP administration management, an oversight process has been put in place to monitor and review appropriateness of access. In addition, IT management has implemented a quarterly review of all SAP administration access. Access to the underlying data base has been restricted to only those staff resources that are necessary to maintain the health of the system. All other non-essential access has been removed (2.10 [UNIX Accounts in Password File](#)).

The SAP IT Team has staffed a full time Quality Assurance Analyst to continue to emphasize its commitment to quality assurance (2.11 [IT SAP Org Chart](#)). SAP IT Management has also implemented a new Self Service Password reset and SAP USERID application, thereby eliminating the need for campus IT personnel to assist with the password reset process and further restricting access. Access by campus IT personnel has been removed since it is no longer needed (2.12 [SAP ESS Password Reset](#)).

HP Application Life Cycle Management (also referred to as HP ALM or HP Quality Center) has and remains the key change management tool for monitoring application updates and tracking configuration and program changes. It has been fully implemented across the SAP landscape. Workflow notifications regarding staff changes (new hires, terminations, etc.) are part of the change management process and are automatically forwarded to IT staff for confirmation and follow up. HP ALM continues to capture change management requests and activities, as required. (2.13 [LACCD SAP Procedure Manual, pp. 9-11](#)).

In addition, the SAP IT Team will be implementing SAP's Government Risk and Compliance (GRC) application, which will add additional check points around Access Control. This item was dependent on the SAP upgrade, which the District has now completed, so the initial step has been taken. It is anticipated that the implementation of GRC will begin within the next 12 months.

The District IT department continues to improve on its controls in these areas.

Actions Taken to Address the 2012 Federal Findings

The following federal findings noted for the audit period June 30, 2012 have now been fully resolved.

1. Adequate procedures did not appear to be in place to ensure proper monitoring of application verifications to ensure compliance with federal guidelines.

As a corrective action plan, Los Angeles Valley College's Financial Aid Manager has provided internal control procedures and quarterly assessment reports to a quality assurance team to perform periodic assessments to ensure that internal controls are implemented and that the College is in compliance. Although the audit is not complete, during our current auditing period ending 6/30/2013, the District asked for an early finding, and the outside auditors have confirmed that the corrective action plan has been fully implemented and the College is in full compliance (**2.14 [Letter from Vasquez and Company, LLP, September 19, 2013](#)**).

2. The second federal program finding related to Competitive Grants for Worker Placement in High Growth and Emerging Industry Sectors. It was noted that documentation supporting eligibility could not be located since files were lost during the office move of the staff managing the program.

As a corrective action plan the District deployed a series of document-saving protocols (**2.15 [Securing Grant-Related Documentation Protocol](#)**). The corrective action plan has been fully implemented and was communicated to the U.S. Department of Labor on May 24, 2013 (**2.16 [Email from F. Cajayon, May 17, 2013](#)**).

The recommendation added by the visiting team in its May 2013 report stated: "As a follow-up, the 2013 audit report should be reviewed as part of the normal financial review process to track the progress towards full implementation of all audit findings" As a regular practice, the District tracks progress toward implementation of all its audit findings and will continue to conduct this tracking as part of its normal procedures as soon as the 2013 audit is completed in December 2013.

Annual Fiscal Reports

The July 3, 2013 letter from the Commission to Chancellor Barrera requested that "the District provide both the reports of the individual colleges and a consolidated District report so that the overall condition of the District is available as well as the financial positions of the individual colleges." As noted in the District's Accreditation Special Report on April 1, 2013, the District collectively reviewed and submitted the 2011-12 Colleges' Annual Fiscal Reports to the ACCJC. The District consulted with Dr. Norval Wellsfry, Associate Vice President of the ACCJC, who advised that there was no template provided on which to submit a separate district-level report (**2.17 [Email from Dr. Norval Wellsfry to V. Nguyen, September 9, 2013](#)**). He suggested that district-level information could be reported on the college's Annual Fiscal Reports, making certain to note that it was district data. To ensure consistent reporting, in March 2013 the District Budget Office prepared and submitted data to the colleges in response to questions #8 through #23 for each college report.

List of Evidence

Recommendation 1

- 1.1 [Independent Review Panel Report](#)
- 1.2 [April 1, 2013 Special Report](#)
- 1.3 [Visiting Team Report May 2013](#)
- 1.4 [Board Resolution centralizing accountability controls](#)
- 1.5 [Key Performance Indicators training presentation](#).
- 1.6 [Board Resolution funding bond program reserve](#)
- 1.7 [Risk register](#)
- 1.8 [Risk Management Awareness Course](#)
- 1.9 [Risk Management Training sign-in sheets](#)
- 1.10 [Monthly Bond Expenditure Budget Reconciliation Protocol](#)
- 1.11 [sample monthly reconciliation](#)
- 1.12 [Bond Program Standard Operating Procedures](#)
- 1.13 [Energy Road Map and Project List](#)
- 1.14 [Energy Charter](#)
- 1.15 [Board Reports on technology initiatives](#)
- 1.16 [Lease-Leaseback Project Delivery resolutions](#)
- 1.17 [Key Performance Indicators training presentation](#)
- 1.18 [Prop 39 compliance verification letter](#)
- 1.19 [Board Resolution restructuring DCOC](#)
- 1.20 <http://www.aecom.com/>
- 1.21 [Board authorization of PM contract](#)
- 1.22 [PM update presentation](#)
- 1.23 [Board letter September 11, 2013](#)
- 1.24 [memo verifying contract deliverables](#)
- 1.25 [PMO contact list with retained staff highlighted](#)
- 1.26 [Scope of work for Lifecycle and Operations Assessment](#)
- 1.27 [Cost Principles and The Color of Money presentations](#)
- 1.28 [training sign-in sheet July 9 2013](#)
- 1.29 [Board Rule establishing the FMP&OC](#)
- 1.30 [FMP&OC agenda](#)
- 1.31 [Bond Monitor Board Resolution](#)

Recommendation 2

- 2.1 [April 1, 2013 Special Report](#)
- 2.2 [Special Visit Evaluation Report May 2013](#)
- 2.3 [LACCD Audit Tracking Report, June 2013](#)
- 2.4 [LACCD Monthly Bond Reconciliation Process, Revised August 2013](#)
- 2.5 [LACCD Fixed Asset Inventory and Reconciliation Report as of September 14, 2012](#)
- 2.6 [Certification of Electronic Filing for Statements of Economic Interests, March 13, 2013](#)
- 2.7 [Purchase Order Screen with e-disclosure information](#)
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- 2.12 [SAP ESS Password Reset](#)

- 2.13 [LACCD SAP Procedure Manual, pp. 9-11](#)
- 2.14 [Letter from Vasquez and Company, LLP, September 19, 2013](#)
- 2.15 [Securing Grant-Related Documentation Protocol](#)
- 2.16 [Email from F. Cajayon, May 17, 2013](#)
- 2.17 [Email from Dr. Norval Wellsfry to V. Nguyen, September 9, 2013](#)