

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

Fiscal Year ended June 30, 2017

December 6, 2017

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

December 6, 2017

Mr. David Salazar
Chief Facilities Executive
Los Angeles Community College District
770 Wilshire Boulevard, 6th Floor
Los Angeles, CA 90017

Dear Mr. Salazar:

This draft report presents the results of our performance audit of the Los Angeles Community College District's (LACCD) Proposition A, Proposition AA and Measure J bond programs for the fiscal year ended June 30, 2017, based on our agreed upon work plan with LACCD. Our work was performed during the period of June 20, 2017 through the date of this report.

We conducted this performance audit in accordance with *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations based on the established audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations based on our audit objectives.

This performance audit did not constitute an audit of financial statements in accordance with *Government Auditing Standards* or *U.S. Generally Accepted Auditing Standards*. KPMG was not engaged to, and did not render an opinion on LACCD's internal controls over financial reporting or over financial management systems.

The report includes an executive summary, background, audit scope and methodology, audit results and recommendations, and list of acronyms, as well as appendices.

Based upon the audit procedures performed and the results obtained, we have met our audit objectives. This report provided to LACCD is for the sole use of LACCD, and is not intended to be, and may not be, relied upon by any third party.

We thank you and the members of your staff who have worked diligently with our team in providing information throughout this performance audit. We look forward to serving LACCD in the coming years.

Sincerely,

TABLE OF CONTENTS

EXECUTIVE SUMMARY..... 3

BACKGROUND..... 6

AUDIT SCOPE AND METHODOLOGY..... 7

AUDIT RESULTS AND RECOMMENDATIONS..... 11

APPENDIX A - SUMMARY OF OBSERVATIONS..... 27

APPENDIX B – LIST OF ACRONYMS..... 35

APPENDIX C – SUMMARY OF MANAGEMENT’S PLANS..... 36

APPENDIX D – SUMMARY AND STATUS OF PRIOR YEAR OBSERVATIONS..... 38

DRAFT

EXECUTIVE SUMMARY

This performance audit was conducted in accordance with *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States and as a requirement for construction bond programs under California Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Proposition 39). Our work for the year ended June 30, 2017, was performed during the period of June 20, 2017 through the date of this report.

Objective

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

The objective of this performance audit was to understand certain aspects of the Los Angeles Community College District's (LACCD or District) management of the bond program and bond program expenditures in accordance with the requirements of Proposition 39. Total aggregate bond expenditures were \$214,602,137 during the fiscal year ended June 30, 2017.

The District reports their capital program progress in their *Dashboard Reports*, published monthly and available to the general public.

Scope

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

The scope for this year's performance audit included the following areas of focus:

- **Baseline Budget/Forecasting:** Our procedures for this focus area included evaluating the project budgeting process including original budget, current budget, analysis and reporting of budget changes, budget transfers, and estimated costs at completion (EAC). The objective of our baseline budget and forecasting audit work was to evaluate efficiency and effectiveness of current budget and cost estimating practices.
- **Risk Management:** Our procedures for this focus area included evaluating the risk management process for the bond programs, including identification, assessment, quantifying, tracking, reporting, and closing of project risks. The objective of our risk management audit work was to evaluate the effectiveness and efficiency of the program's project level risk management practices.
- **Project Closeout:** Our procedures for this focus area included evaluating and testing the procedures for District project closeout activities including, but not limited to, operation & maintenance (O&M) manuals, warranties, commissioning, financial and contractual closeout, and project document archiving. The objective of our project closeout audit work was to evaluate the efficiency and effectiveness of project level closeout activities as described in the *SOPs*.

- Controls Assessment – Our procedures for this focus area included evaluating compliance with the District’s *Standard Operation Procedures (SOPs)* and internal controls for the following key processes: risk management, budgeting, closeout, invoice process, change order process, and contingency management. The objective of this audit work was to assess the efficiency and effectiveness of key processes and controls in the context of the audit scope to identify areas for improvement to the *SOPs*.
- Project Management Information System (PMIS): Our procedures for this focus area included an evaluation of the integration of relevant process workflows with the District’s PMIS for the following key processes: risk management, budgeting, closeout, change orders, invoice process, change order process, and contingency management. The objective of our PMIS audit work was to assess the efficiency and effectiveness of the PMIS within the context of our audit scope.

Our performance audit does not opine on the internal controls structure of BuildLACCD or LACCD. In addition, our performance audit did not include testing of internal controls to determine if the internal controls are operating as designed. Our audit is limited to reporting deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed.

Summary of Observations

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

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

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

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

Our detailed procedures, findings, recommendations and management’s responses are included in the following sections of this report.

1. Budget/Forecasting Observation (High Priority)

Project budget estimates, including changes to cost estimates and budget transfers, are not consistently documented and supported by the College Project Teams (CPTs). As a result, reported project budgets and estimated final reported costs may be inaccurate, and unanticipated budget overages or project delays may occur. Additionally, the PMO may be unaware of potential project issues that need to be addressed in a timely manner to mitigate additional costs and/or delays.

2. Invoice Process Observation (Medium Priority)

The current PMIS does not include adequate tracking of invoices, from receipt of invoice to payment, and should take additional steps to ensure timely payment is made to vendors. As a result there is a risk that vendor payments may be late by contract or by law, possibly resulting in penalties to the District and performance delays by vendors.

3. Project Closeout Observation (Medium Priority)

The closeout process for several projects finished prior to April 2013 have not yet been completed and on a few occasions, project close-out requirements promulgated by the *SOPs* are not met. As a result, critical project documents may be incomplete, missing, or stored in an unknown location. In the event where project documents may need to be accessed to demonstrate compliance and/or completion, the inability to locate relevant information could expose the program to additional financial and legal risks.

4. Project Management Information System (PMIS) Observation (Medium Priority)

There is limited integration between the various PMIS platforms (SharePoint, Proliance, DocView, ProjectWise, P6 and others), causing each platform to operate largely independently. As a result, the program is operating inefficiently and may result in excessive costs and delays incurred to manually gather information.

5. Risk Management Observation (Low Priority)

Project risk registers, which are utilized to manage project risks, are not always completed in accordance with the *SOPs*. As a result, the program may be exposed to unanticipated costs and schedule delays.

6. Change Order Observation (Low Priority)

SOP requirements related to the change order process are not always followed. Additionally, change order *SOPs* do not include requirements for changers to certain types of contracts. As a result, the District may incur unnecessary costs and schedule delays related to change order work.

Audit Summary

Based on our audit, we did not identify any significant internal control deficiencies within the context of the audit. We did not identify any significant¹ charges to the Program that did not conform to the requirements of Proposition A, Proposition AA, and Measure J. However, based on our audit scope this year, we made a number of observations where we identified opportunities for improvements.

¹ GAS 7.04: “Significance is defined as the relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors.” In the performance audit standards, the term “significant” is comparable to the term “material” as used in the context of financial statement audits.

BACKGROUND

In November 2000, the California legislature passed Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* of the State of California, which amended provisions to the *California Constitution (Article XIII)* and the *California Education Code (Section 15272)* to include accountability measures for bond programs. Specifically, the District must conduct an annual, independent performance audit of its construction bond program to ensure that funds have been expended only on the specific projects listed.

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

Total aggregate bond expenditures were \$214,602,137 during the fiscal year ended June 30, 2017; \$2,859,594 (Proposition A), \$2,859,594 (Proposition AA), and \$5,411,183 (Measure J).

BuildLACCD

BuildLACCD's function is to facilitate the delivery of projects under the bond program. BuildLACCD consists of over 200 positions in a number of functional areas and includes several consultants and members of District staff. The largest function of BuildLACCD is the program management function provided by AECOM Technical Services, Inc. (AECOM or PMO) for the period from April 4, 2013 to October 15, 2017.

On August 9, 2017, the Board of Trustees (BOT) authorized a "termination for convenience" of the *April 3, 2013 Program Management Agreement* with AECOM, effective October 15, 2017, and authorized an agreement with Jacobs Project Management Company (Jacobs or PMO) to provide program management services for the bond program for a five year period commencing September 15, 2017 through September 14, 2022.

College Project Teams (CPTs)

The CPTs for each college, contracted with the District, report directly to the PMO and are responsible for performing services to oversee college master planning, environmental impact studies, programming, design, construction, close-out, and occupancy at each college location. The CPTs are also responsible for overseeing design consultants, contractors, and vendors.

AUDIT SCOPE AND METHODOLOGY

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

This performance audit was conducted in accordance with *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States and as a requirement for construction bond programs under California Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Proposition 39). Our work for the year ended June 30, 2017, was performed during the period of June 20, 2017 through the date of this report.

Methodology

Government Auditing Standards (GAS), as promulgated by the Government Accountability Office (GAO), require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our comments and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our comments and conclusions based on the audit objectives. As such, we followed the requirements of GAS and the District with respect to our methodology, which included the following elements:

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

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

Scope

The scope for this year's performance audit included five areas of focus:

Baseline Budget and Forecasting

The bond program's budget and forecasting process is designed to establish project budgets, determine budget revisions, and project estimated future costs.

Our objective of evaluating the District's baseline budget and cost forecasting process was to assess the efficiency and effectiveness of current budget and cost estimating practices. This included conducting detailed audit procedures on a sample of construction projects for compliance with key budget and forecasting process steps and requirements, including, but not limited to original budget, current budget, budget revisions, budget transfers, and estimated costs at completion (EAC). Our audit procedures included the following tasks:

- Interviewing key program personnel with a specific knowledge related to the baseline budget and forecasting process.
- Evaluating the LACCD Bond Program *Standard Operating Procedures (SOPs)*, Program Management Procedure – Budget and Cost Management, (PMA 5.0, Rev 3; PMA 5.0, Rev 5, June 30,

2017).

- Evaluating revisions to the *SOPs* for budget and cost management for the audit period.
- Documenting the 2017 process for review of baseline budget and forecast by BuildLACCD and adjusting forecasted costs and budgets.
- Evaluating the program and project baseline budget and reforecast process (on a sample basis).
 - Original budget: Assessing the process for the establishment of the initial, authorized budget
 - Re-baseline budget: Assessing the process for the establishment of the re-baseline authorized budget
 - PMIS: Verifying if the re-baseline budget is reflected in the Program Management Information System (PMIS) and *Dashboard Report*
 - Current budget: Assessing the process for the most current, authorized budget
 - Budget changes: Analyzing and reporting of project budget changes in the *Dashboard Report*
 - Budget transfers: Evaluating *Dashboard Reports* and budget transfer logs and forms
 - Estimated costs at completion (EAC): Evaluating the PMO's documentation of the EAC support including estimates, risks, potential change orders, and schedule delays
- Evaluating the integration of the baseline budget and forecasting process with the program PMIS.

Risk Management

The bond program's risk management process is designed to identify project risks and provide measures to control and minimize such risks, including exposure to increased costs and schedule delays.

Our objective of evaluating the District's risk management process was to audit the risk management process for the program as a whole for the current audit period. This included conducting a detailed testing on a sample of projects for compliance with risk management process steps and requirements including, but not limited to, identification, quantifying, tracking, reporting and closing of project risks. Our audit procedures included the following tasks:

- Interviewing key program personnel with a specific knowledge of risk management process.
- Evaluating the LACCD Bond Program *Standard Operating Procedures (SOPs)*, Program Management Procedure - Risk Management, (PMA 10.0, Rev 1, September 30, 2016).
- Evaluating any revisions to the *SOPs* on risk management.
- Documenting the process for identification, measuring, reporting, tracking, and mitigating project risk by BuildLACCD.
- Evaluating the program and project risk management process (on a sample basis)
 - Risk management planning: Evaluating the project risk management plan that outlines project risk management activities for the program
 - Risk identification/risk register: Evaluating how the PMO identifies and categorizes project risks including the use of a project risks register
 - Risk analysis – Evaluating quantitative and qualitative risk analysis procedures
 - Risk mitigation and risk response planning: Evaluating project risk mitigation and risk response plans
 - Risk monitoring, reporting and tracking: Evaluating the PMO's compliance with *SOP* requirements related to reporting and tracking of project risks
 - Risk closeout: Assessing the process to closeout project risks
- Assessing the experience level of the key employees involved with the risk management efforts.
- Evaluating risk management process against industry leading practices.
- Evaluating the integration of the risk management process with the program PMIS.

Project Closeout

The bond program's project closeout process included with the *SOPs* are intended to transition all project documentation to archives, financially close out a project, and capture lessons learned.

Our objective of evaluating the District's project closeout process was to audit the efficiency and effectiveness of project level closeout activities as described in the *SOPs*. This included conducting detail testing on a sample of college projects for compliance with key project closeout process steps and requirements in the *SOPs* related to operation & maintenance (O&M) manuals, warranties, commissioning, financial and contractual closeout, lessons learned, and project document archiving. Our audit procedures included:

- Interviewing key program personnel with a specific knowledge related to the project closeout process.
- Evaluating the LACCD Bond Program *Standard Operating Procedures (SOPs)*, Construction Management Procedure – Project Closeout, (CP 2.0, Rev 1, May 16, 2016; CM02, Rev April 13, 2017)
- Evaluating any revisions to the *SOPs* for project closeout.
- Documenting the process for project closeout conducted by BuildLACCD.
- Evaluating the program and individual college project closeout activities (on a sample basis). Evaluating the *Dashboard Report* related to reporting of project closeout including completed projects, substantial completion dates, academic occupancy dates, etc. (on sample basis).
- Evaluating project closeout process against industry leading practice.
- Evaluating the integration of the project closeout process with the program PMIS.

Controls Assessment

The bond program's *SOPs* incorporate key project controls which are designed to maximize the efficiency and effectiveness of a number of critical program delivery processes including (but not limited to) budgeting and forecasting, risk management, project closeout, invoicing, change order management and contingency management.

Our audit procedures included:

- Interview key program personnel with a specific knowledge related to each key process area.
- Performing a walkthrough of actual process steps performed by BuildLACCD employees, and comparing them to District's *SOPs*.
- Reviewing current *SOPs* for the process areas.
- Evaluating each process area against industry leading practices.
- Evaluating the integration of the key processes with the program PMIS.

Project Management Information System (PMIS)

The bond program's PMIS is intended to aid in the efficiency and effectiveness during the execution of program related activities.

Our objective of evaluating the PMIS was to determine the level of integration of relevant process workflows within the PMIS, including budgeting and forecasting, risk management, project closeout, invoicing, change order management and contingency management. Our audit procedures included:

- Interviewing key program personnel with specific knowledge related to the selected process area and integration of workflows.
- Evaluating relevant *SOPs* and related to the process areas for consistency to PMIS workflows.

- Evaluating any revisions to the *SOPs* and process workflows for PMIS integration during the audit period.
- Documenting the process for evaluating PMIS workflows by BuildLACCD.
- Evaluating training of college and BuildLACCD staff on program PMIS workflows.
- Performing a walkthrough of each audited process area PMIS workflow to assess compliance to LACCD Bond Program *SOPs*.
- Evaluating PMIS workflow process against industry leading practices.

DRAFT

AUDIT RESULTS AND RECOMMENDATIONS

Baseline Budgeting/Forecasting

Our prior audit of baseline budgeting and forecasting in FY2014/15 identified that the District had not yet prepared a revised project budget baseline for low priority projects. As a result, we were not able to conclude that the District's baseline budgeting process was effective, efficient, or in line with leading practices. Subsequently, the enhancements made by the PMO to the *Standard Operating Procedures (SOPs)* showed that the *SOPs* are in line with leading practices. This year, we tested the compliance with those *SOPs*.

As noted in LACCD bond program's *Standard Operating Procedures (SOP)*, *PMA 5.0 (Rev 3)*, "re-baselining occurs at each major development milestone (i.e., revised drawings during the Schematic Design, Design Development, and Construction Document stages) for each subproject." Re-baselining is the complete overhaul of a project budget that uses a revised "bottoms-up" estimate prepared by the college project team (CPT).

BuildLACCD made additional changes to its baseline budget and reforecast policies and procedures, *Standard Operating Procedures (SOPs)*, during the audit period which resulted in further enhanced process controls. However, based on our audit procedures performed, we identified the following area that could further increase the efficiency and effectiveness of the budgeting process:

1. Project budget estimates, including changes to cost estimates and budget transfers, are not consistently documented and supported by the College Project Teams (CPTs). (High Priority)

Criteria: The LACCD bond program *SOPs*, *PMA 5.0: Budget and Cost Management – Revision 6/30/2017¹*, Section 6.4.2 – *Budget Transfers*, states, "Each budget transfer must be accompanied by a memo explaining the purpose of the budget transfer and sufficient justification to support a decision."

The LACCD bond program *SOPs*, *PMA 5.0: Budget and Cost Management – Revision 6/30/2017*, Section 9.3 – *Estimates At Completion, Construction –Post-Bid Award*, states, "After the project is awarded for construction, the CPTs/ Multi-Campus 40J Account Managers update the EAC each month."

Condition: We noted that the PMO does not validate the change (or lack of change) in significant project cost estimates on a regular basis, as performed by the CPTs. Such estimates includes the remaining scope of work to complete, current open commitments, expenditures and forecast by funding source, and potential cost and schedule impacts not yet accounted for in the funding or estimate at completion.

The PMO conducted a re-forecasting effort in 2017 in order to adjust budgets and estimated cost at completion for each project. The PMO worked with the CPTs to more accurately forecast costs at completion (EAC) for each project and revise the project budgets as necessary.

In addition to the reforecasting that took place, two of five projects in our audit sample did not contain documented evidence that the estimated costs at completion (EAC), were completed at all within the last month of the audit period, despite being active construction projects. This is contrary to the requirement outlined by the *SOPs*.

On one occasion, a budget transfer did not include a memorandum explaining the purpose of the budget transfer, as required by the *SOP*. While the project budget transfer form itself contains a single line to

¹ Although the procedures were dated the last day of the audit period, they were reportedly informally implemented during our audit period. As a result, we audited the PMO's compliance with these *SOPs*.

provide context to the transfer, it does not provide sufficient information regarding the transfer or its circumstances.

Cause: Some, but not all, drivers for the program wide 2017 reforecasting effort was the lack of sufficient contemporaneous evaluation of budget estimates on a monthly basis by the PMO. Several budget estimates are performed by the CPTs, resulting in varying degree of documentation of assumptions and level of detail supporting these estimates. The program has historically chosen to adjust any discrepancies in CPT forecasted costs during its periodic re-forecasting efforts, resulting in periods of inaccurate *Dashboard Reports* with larger periodic adjustments to correct inaccuracies.

With respect to budget transfers, some District budget transfer requirements are not documented within the *SOPs*. A “white paper” is intended to describe the nature and justification of a proposed transfer for budget transfers over \$250,000, but the requirement is not documented in the *SOPs*. As a result, there is inconsistency between what is required per the *SOPs* and the application of these controls with respect to budget transfers.

Effect: As there is no consistent documentation of the monthly consideration of the estimated cost at completion (EAC), as required by the *SOPs*, it is not clear that the individual CPT’s sufficiently considers and evaluates forecasted costs. As a result, project estimates as reported in the public *Dashboard reports* may be inaccurate, especially if they have not been updated for a period of months. Lack of evidence of monthly EAC updates may also cause confusion or uncertainty about whether the current estimate reflects accurate project information, even in cases where the EAC is current, but the monthly estimate was not updated to reflect the revised date.

Lack of frequent evaluation of CPT estimates by the PMO, may result in periodic large scale, budget re-baselining efforts (one which occurred during the audit period) in order to restate these estimates to better reflect more realistic estimates for scope of work to complete, current open commitments, expenditures and forecast by funding source, potential cost and schedule impacts not yet accounted for in the funding or estimate at completion. If CPT’s do not follow the documentation standards set forth by the *SOPs*, and do not have regular oversight by the PMO, the program is at risk for future large scale re-baselining efforts.

Lastly, by not including a detailed explanation of the purpose, justification, and circumstances necessitating a budget transfer and estimates, the PMO and leadership at the college may not have a full understanding of the reasons driving the transfer or estimates. The PMO may also be unaware of potentially larger project issues that may need to be addressed in a timely manner to ensure the success of the project.

Recommendation 1a: Build should increase PMO oversight of the CPT estimating process at set stages of projects where it is deemed that a higher risk of incorrect project cost estimates exist in order to avoid a large scale re-baselining efforts at a later date. Smaller, periodic adjustments to estimates is preferable.

Recommendation 1b: All budget transfers should include a memorandum to fully explain the cause, purpose, justification and financial feasibility of the budget transfer. Additionally, the current “white paper” requirement should be incorporated with the *SOPs*.

Management Response 1a: The PMO will enforce a process for monthly updates of the project Estimates at Completion (EAC) by the College Project Teams. Enforcement of the updates will be the responsibility of the Regional Program Directors (RPDs). In addition, PMO will revise the *SOPs* to reflect Project Estimate Worksheets (PEWs) can only be updated by the College Project Teams at key project milestones and with PMO and District approvals.

Management Response 1b: PMO will update the *SOP* to clearly identify that a white paper is required for a budget transfer above \$250K and that an internal memorandum is required to document budget transfers less than \$250K. In addition, the recommended update will require RPD approval for all budget transfers. Enforcement of these requirements will be reinforced with the CPT and PMO Project Controls team. All budget transfers submitted to the PMO will be rejected if the required document is not accompanying the transfer request.

DRAFT

Invoice Management

2. The current PMIS does not include adequate tracking of invoices, from receipt of invoice to payment. (High Priority)

Criteria: Invoicing – CPT and PMO Proliance Role Base Approvals for entry and approval, PMIS Invoice Approval Activity Logs.

Program Management Procedure (PM07) – Revision 5/18/2017, Section 5.4: Applications for Payment (Invoicing), and contractual documents between the vendor and BuildLACCD.

Section 5.4 of Program Management Procedure 7.0 outlines the procedures for processing, recording, and providing timely payment to all District-approved consultants, designers, contractors, subcontractors, vendors, and suppliers. The *SOP* does not provide detailed information regarding the window within which payments shall be issued, rather, it states that payments must be made “in accordance with California contracting law.”

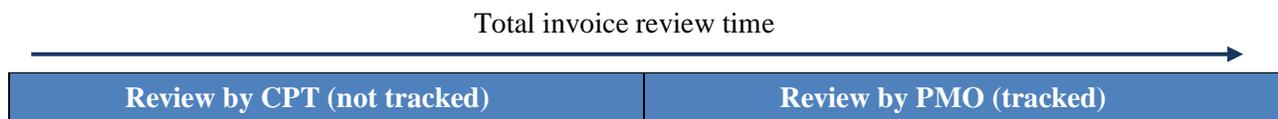
Per the *California Prompt Payment Act, Government Code, Section 927.1(b)*, State agencies are required to pay properly submitted, undisputed invoices within 45 calendar days of initial receipt. In addition to this 45-day requirement, *Sections 6.4 and 9.1.1* of the general conditions of the contracts for all of the projects which our samples were selected from, states:

Excerpt from *Section 9.1.1*:

“Subject to the District's rights of withholding and nullification as set forth elsewhere in this Article 9, Program Manager, acting on behalf of District, shall make payment of undisputed sums due to DesignBuilder upon Applications for Payment requesting Progress Payment within thirty (30) Days after receipt of an Application for Payment that has been properly prepared and timely submitted by the Design-Builder in accordance with the Contract Documents and for which a Certification for Payment had been issued by the College Project Manager approving of such request for Progress Payment.”

Condition: Prior to November 16, 2016, all invoices were required to contain “wet signatures” by each responsible party before advancing to the next stage of approval. As part of the transition to PMIS, the approval process was modernized to use digital signatures, with every action being tracked through an *Invoice Approval Activity Log* (activity log). The activity log allows the PMO to compile metrics on approval speed and identify where slowdowns in the approval process may be occurring.

The current version of the activity log does not take into account all critical invoice approval and review steps, as it is missing steps from receipt of invoice through acceptance by the CPT. The activity log identifies when the invoice was entered into the system by the CPT. This date do not necessarily reflect the date the invoice was received. The activity log also identifies when the invoice was accepted by the CPT and transferred to the PMO for further review, and the various *subsequent* stages the invoice passes through before being processed for payment by the District. The invoice log utilized by the PMO does NOT track and monitor all invoice approval activities occurring at the CPT *prior to* the invoices being submitted to the PMO. Unless an invoice contains errors, the payment clock starts at time of submission. It is therefore important for the PMO to track and monitor an invoice during all review steps from the time it is received by the CPT.



Additionally, three of 20 invoices tested were paid beyond 30 days after the invoice had been received from the vendor and deemed compliant after review by the CPT. One invoice was paid beyond 45 days of receipt and approval by the CPT, exceeding the payment timeframe specified by the *California Prompt Payment Act*. All three invoices were processed prior to the implementation of PMIS.

Cause: Prior to PMIS, the District's manual process of tracking invoice approvals and payments was not sufficiently monitored and tracked to identify potential processing and payment delays. The initial rollout of the PMIS-based invoice approval process, which was expected to resolve these issues, instead resulted in some invoices experiencing processing delays due to unforeseen technical problems. The PMO has since resolved many of these issues, although the PMIS-based invoice approval process continues to be a work in progress, with improvements occurring as needed. The current version appears to have some gaps in tracking and monitoring of key activities in the approval process such as when *Notice of Corrections* or *Payment Stop Notices* are issued by the CPT or PMO impacting the speed, transparency, and efficiency with which an invoice is processed.

Effect: Without tracking and monitoring of an invoice from the moment it is received all the way to final payment, including each intermittent step toward approval, the District is at risk of not satisfactorily complying with its payment timeline obligations.

By not tracking and monitoring *Notice of Correction* or a *Payment Stop Notice*, for example, an invoice can move back and forth between the CPT, PMO, and the contractor several times without any record on the invoice approval activity log, which is used by the PMO to manage the invoice payment process. When an invoice is subjected to a *Notice of Correction* by the PMO, the invoice is technically disputed, resulting in an extended payment period while the contractor makes the required revisions. The period of time during which a contractor makes revisions to a deficient invoice is not tracked within the PMIS, and may result in an inconsistent review process or a dispute between the District and contractor regarding the length of time taken for a payment to be issued.

Lastly, repeated transfer of responsibilities, combined with a lack of PMO tracking and monitoring of invoices, can result in a liability for the District in the event that an invoice becomes disputed and potentially result in a claim.

Recommendation 2a: BuildLACCD should incorporate and track all invoice approval activities with the *Invoice Approval Activity Log*, starting with the receipt of invoice, in order to facilitate vendor payments on time in accordance with California contracting law and contractual obligations.

Recommendation 2b: The PMIS should be configured to provide frequent reminders to invoice approvers until the invoice is acted upon and advanced to the next stage of approval.

Management Response: PMO will utilize the daily Invoice Workflow State Report to track invoice approval workflow to ensure timely payment of invoices. PMO will use the College Project Team (CPT) Received field in the report as the control date to start the clock on the timing of invoice payments. In addition, PMO will utilize the report to determine when an invoice in the workflow has not been processed to the next step within 2 days and to contact the workflow step owner that invoice processing is pending their approval. PMO will require an escalation to PMO Finance Manager of any invoice that is not processed out of a step within 5 days.

Project Closeout

Our prior audit of the District's project closeout process in FY2012/13 identified that the District's project closeout process needs improvement in the maintenance of proper and complete documentation for closed projects, in the accurate maintenance of closed project reports and the timeliness of obtaining Division of the State Architect (DSA) certification for closed projects. Our prior audit in FY2011/2012 identified that the project closeout process should be adequately completed; and, required project closeout documentation should be consistently and properly filed.

This year, we noted that BuildLACCD PMO team has made ongoing efforts to improve the closeout process based on the steps taken in recent years to modernize the various digital platforms used throughout the process. As part of our audit scope, we met with the PMO team responsible for document archiving, and performed a review of the ProjectWise document storage and archiving system used for closeout process. We identified the following additional areas that could further enhance the process:

- 3. The closeout process for several projects finished prior to April 2013 have not yet been completed and on a few occasions, project close-out requirements promulgated by the SOPs are not met. (Medium Priority)**

Criteria: The LACCD bond program SOPs, *Construction Management Procedure (CM02), Project Closeout – Revision 4/13/2017, Section 5.1.1 - Substantial Completion.*

The LACCD bond program SOPs, Construction Management Procedure (CM02), Project Closeout – Revision 4/13/17, Section 7.0 – Lessons Learned, states, “Within 30 days of project completion, the CPT will submit project lessons learned (CP-0380) to the RPL, RDL, PMO Closeout Manager and (or) PMO Quality...”

The LACCD bond program SOPs, CM02, Section 5.1.1, “...CPT submits CP-0687 (Construction Project Substantial Completion Retention Release Form) within 30 days of Substantial Completion, including preparing and reviewing GC retention and withholds...”

Condition:

Closeout requirements in the SOPs not met:

- The data contained within the District's closeout summary file does not align with the source documentation for the projects in the detail documentation. We observed that for 10 of 15 the samples we selected, the dates recorded for “substantial completion” did not align with the dates noted on *Form CC-0110 Certificate of Substantial Completion.*
- Four of four projects in closeout within the audit period did not have project lessons learned completed within 30 days of project completion as required per the *SOP*. For the purpose of the audit testing, project completion was determined as the date of signature authorization by District on the *Notice of Completion (Form CC-0115)*. Furthermore, all of the lessons learned documents that were provided by the PMO were completed on August 17, 2017, which was after our initial document request. Additionally, they only contained design related lessons learned.
- Three of the five samples we selected for review did not submit *CP-0687 (Construction Project Substantial Completion Retention Release Form)* within 30 days of substantial completion as required by the *SOPs*.

Closeout process for projects finished prior to April 2013 not completed:

Of the four samples we selected that had completed financial and contractual closeout during the audit period, three projects took between 5 to 10 years to officially close out and be archived. The closeout time was measured as the time elapsed between substantial completion and the date that final archiving was completed.

Cause:

There has historically been a lack of dedicated PMO staff to monitor the bond program's closed project portfolio to ensure compliance with internal processes and District policies. While the PMO has made improvements to the closeout process in recent years, projects that were completed in prior years may be subject to inconsistencies in project data. Additionally, BuildLACCD has not been enforcing the *SOP* closeout requirement of meaningful lessons learned by the CPTs.

Release of retention is dependent upon the contractor invoicing for the retained funds. Contractors of the District are at times slow to invoice for retention payment, resulting in retention funds not being paid within the 30-day time frame specified by the *SOPs*.

Effect:

- Critical project documents related to the closeout process may be incomplete, missing, or stored in an unknown location. In the event where project documents may need to be accessed to demonstrate compliance and/or completion, the inability to locate relevant information could expose the program to additional financial risks and penalties.
- By not completing the lessons learned report in a timely manner, CPTs may not be operating as efficiently and effectively as desired, as project performance is not evaluated and areas of improvements are not captured and referenced by later projects.
- Timely release of retention is crucial for project contractors and subcontractors. A delayed release of retention can impair a vendor's ability to meet financial obligations and may reflect poorly on the BuildLACCD program among closely-connected industry peers. However, in cases where contractors submit their retention invoice late, Build may not be able to conform with its own *SOPs* as currently written.

Recommendation 3a: The PMO should validate the master list of all projects that are in the closeout process or that were previously closed out so that it contains the same information found on the source document.

Recommendation 3b: The PMO should ensure that the CPTs complete required lessons learned for each project completed, utilizing forms specified within the *SOPs*. Lessons learned should be documented contemporaneously and be completed in a timely fashion in order to capture essence of the lesson being documented. In addition to issues that may cause potential problems on a project, teams should also capture successes and the methods by which they were accomplished.

Recommendation 3c: The BuildLACCD program should revise the *SOPs* to reflect that retention should be paid within 30 days of receipt of the retention invoice.

Recommendation 3d: The PMO should endeavor to review all legacy projects for completeness and accuracy in order to ensure that all contractual, procedural, and regulatory requirements related to project closeout are satisfied.

Management Response 3a: The PMO currently maintains an up-to-date master list of all projects that are in the closeout process or have completed closeout. The list is updated and reported out to the District in form of the monthly Closeout Summary report which ensures that all significant project records are accurate and match approved project forms. Additionally, and whenever possible, the PMO will use information extracted from the actual recorded documents to verify that *Form CC-0110 Certification of Substantial Completion* and the date recorded within the PMO file of record.

Management Response 3b: The PMO has prepared an updated Project Closeout *SOP*, stating that Project Lessons Learned are to be collected throughout the project lifecycle and documented at weekly project meetings and/or at major project milestones. Within 90 days of notice of final completion, the College Project Teams will gather all lessons learned documentation and submit via form CP-0380 to the PMO Closeout Coordinator. The PMO Regional Program Directors will be will provide oversight to ensure compliance with this *SOP* procedure.

Management Response 3c: The *SOP* states that 100% of retention is released, less withholds for disputed work within 60 days of substantial completion regardless of whether an invoice is received from the Contractor. Current statute requires release of retention within 60 days of substantial completion. PMO Regional Program Directors will reinforce to the College Project Teams requirements of both the *SOP* and Statute.

Management Response 3d: The PMO will create a scope package that identifies legacy projects (prior to April 2013) that have not completed closeout and certification. The PMO is proposing to the District that a contract be issued to provide closeout and project certification services for the identified legacy projects.

Project Management Information System (PMIS)

Our assessment of the various PMIS platforms in use by the Bond Program was conducted at a high level while performing testing of the processes within the audit scope, and is intended only to provide a summary of the key functions and processes within the areas noted above. An in-depth review of each component of the overall PMIS is beyond the scope of our audit.

The PMIS has been configured to meet the needs of the bond program and does not utilize a single platform. Rather, the bond program uses separate applications for the major areas of the program. PMIS modules are used for: project portfolio, document control, budget and cost management, scheduling, collaboration, reporting and analysis, and contract management activities. Access to the various PMIS applications is granted to users on an as-needed basis following approval by the information technology department.

Although the PMIS covers many aspects of the bond program, our assessment of the PMIS functionality focused on the key areas covered under our audit scope. The audit scope categories and a description of the PMIS platforms used in the management of the bond program's projects are found below.

Invoicing, Budget and Cost Management

- **Meridian Proliance** – Used to generate and maintain budgets, contracts, expenditures, and to forecast cost information. Invoices that are received from the CPTs are entered into Proliance for further processing and tracking by the PMO.
- **Deltek Costpoint** – An accounting system used to encumber contracts, change orders and amendment values, payment of all vendor invoices, and maintenance of the general ledger and chart of accounts.
- **Uii** – Used to consolidate and prepare all information that will be shared through the District's Dashboard reports.

Closeout

- **ProjectWise** – A project collaboration software used to help the PMO manage, distribute, and store project documents such as submittals, as-builts, warranties, and operations and maintenance manuals.
- **DocView** – Serves as the primary location for PMO document storage and master repository of project records. All documents entered into DocView are entered in accordance with the folder and file naming standard covered in Section 4.3.1 of the Program Management Procedure, Section 4.0.

Risk Management

- **SharePoint** – Risk registers are maintained on a SharePoint-based app and are developed to meet the requirements of the CPTs and PMO. The SharePoint system allows for comprehensive reporting and tailored reports for various stakeholders. Each college and PMO department lead has access to the SharePoint risk report module, which contains various standard reports available for their use. The SharePoint system is used in conjunction with the Program's Data Warehouse.

Change Management

- **Meridian Proliance** – Used to track change orders and notify PMO/CPT of pending actions needed to advance to the next step in the approval process.
4. **There is limited integration between the various PMIS platforms (SharePoint, Proliance, DocView, ProjectWise, P6), causing each program to operate largely independently. (Medium Priority)**

Criteria:

LACCD Bond Program’s *Standard Operating Procedures (SOPs)*:

- *Budget and Cost Management (PMA 5.0) – Revision 6/30/2017*
- *Finance/Accounting Management (PMA 7.0) – Revision 5/18/2017*
- *Project Closeout (CM 02) – Revision 5/16/2016*
- *Risk Management (PMA 10.0) – Revision 9/30/2016*
- *Construction Management (CM 01) – Revision 6/30/2017*
- *Information Technology (PMA 3.0) – Revision 2/18/2015*

PMIS Process Flow Diagrams

Condition: The various PMIS programs used by the PMO and CPTs do not have a high degree of integration and appear to operate largely independently. While there is some automation and connectivity between interrelated programs, there does not appear to be a central repository or single program that acts a hub to connect all of the individual PMIS platforms together.

Cause: The bond program’s PMIS is relatively new and continues to be a work in progress. Some of the individual PMIS platforms have been in effect for less than one year and continue to undergo revisions and additional refinements to streamline the processes and improve performance. While the overall PMIS has seen significant improvements over the past few years, it is not yet optimized for the needs of the bond program.

Effect: The bond program may face increased exposure to risks by not having a well-connected and highly integrated PMIS to effectively and efficiently manage projects to help ensure they are delivered within budget, scope and timeframe. The project teams within the key process areas reviewed as part of the audit (risk management, budget and cost estimating, project closeout, change management, and invoicing) may not have adequate visibility into the operations and current conditions of other related project areas.

As identified and documented throughout this audit, the PMO may be subject to variations in data between various departments as a result of multiple sources and origins of data. An update to project data in one department may not be reflected in another department, potentially resulting in inaccurate data and conflicting internal reports. Due to a lack of automation and communication between the PMIS platforms, crucial project information may not be accurately conveyed between teams and may contribute to operational risks. These risks can impact the project from a schedule, finance, or quality perspective and may result in decreased efficiency and potentially impact the success of the project.

Additionally, without the functionality in place to capture and/or analyze relevant data, the overall efficiency and effectiveness of the project delivery process is hampered.

Recommendation 4: The PMO should continue enhancing the PMIS by increasing the degree of connectivity between each platform. . The PMIS should be capable of capturing and transferring all project-related information between each individual platform to ensure that a change in one key project area results in an update to all other platforms and teams.

Management Response: We agree with the findings. The PMIS was not initially designed as an integrated project management solution; it was implemented as a system of standalone software packages used for the discrete functional design of each software package e.g., CostPoint for finance, Proliance for budget management, change orders, funding management, etc., and SharePoint for sharing documents.

The audit finding recommendation of “enhancing” PMIS by increasing the degree of connectivity between each platform would require an Application Programming Interface (API), which is not a part of the existing

architecture, and would essentially require a reimplementation to structure the software packages to work together; the point of “connectivity” for this implementation of PMIS is essentially the Data Warehouse where all of the data is stored after the transactional process. Each software application within the PMIS ecosystem is essentially serving as a data collection platform to process and manage transactions within the scope of functionality of each application. After the data processing step, the data is manually imported into the Data Warehouse by the PMO IT team and then used in reporting by Program Controls.

Our response to this recommendation is to commence initiatives: (1) to address the quality and completeness of the data existing within the independent systems, and (2) evaluate the rationale of double entry procedures such as documenting Change Order Proposals in both SharePoint and Proliance. Short of designing, purchasing and implementing a new and integrated PMIS, we believe that this is the most efficient and cost effective path forward given that the current independent software applications within PMIS were not designed for full data integration.

DRAFT

Risk Management

As stated in the LACCD bond program *Standard Operating Procedures (SOPs)*, the objective of the LACCD project risk management policies and procedures is to implement a proactive, systematic, and disciplined process to manage risks throughout the LACCD bond program's life cycle to ensure achievement of the District's program objectives. Such risks include threats to delivering projects on time, within budget and scope. The project risk management process applies to the District, the PMO, and the CPTs, while managed by the PMO risk management team.

The PMO risk management team generates performance reports and risk snapshots through the program's SharePoint site. Evidence of *key performance index (KPI) reports* indicate quarterly PMO reviews of CPT risk KPIs during the audit period. *CPT risk registers* contain information on identified risks, closed risk, risk level changes, mitigation strategy updates, and cost exposure. In addition to the quarterly *KPI reports*, the PMO risk management team provided monthly reports showing the total number of open risk items categorized by risk level severity for each college.

The program *SOPs* for risk management appear to include the critical components expected for a comprehensive risk management program. However, we identified the following area that could further enhance the controls over the process:

5. Project risk registers are not always completed in accordance with the SOPs. (Low Priority)

Criteria: The LACCD bond program *SOPs*, *PMA 10-SOP Vol 1 Risk Management Section 10, Rev 0, dated September 30, 2016; Section 3.3 CPDs and CPTs* states, "*The College Project Director (CPD) at each college is responsible for overseeing the ongoing development and management of their respective college's risk register. College Project Team (CPT) Project Managers are required to update their respective project registers on a monthly basis and use the risk register as a daily management tool.*"

The LACCD bond program *SOPs*, *PMA 10-SOP Vol 1 Risk Management Section 10, Rev 0, dated September 30, 2016; Section 5.1.1 BuildLACCD Risk Breakdown Structure*, states, "*Basic risk identification components within the risk register include: ...Risk Comments (Notes Field).*"

Condition: Currently, the PMO reviews each CPT's risk management efforts on a regular cyclical basis, approximately every six months, but it does not allocate more time for review of high risk projects on a more frequent basis. As a result, a great level of trust and responsibility for performing adequate risk management activities is placed with the CPTs.

Evidence of the CPTs' monthly updates to the risk registers is required by the *SOPs*. During review of project risk management documentation, we identified projects where evidence of monthly updates to the risk registers were not available:

- Risk additions and updates for the Science Career & Mathematics Building G5 project were frequent at the beginning of the project but sporadic as the project construction activities continued. Risks were added on a monthly basis in 2013 and 2014, thus meeting the requirement of the *SOP*. However, the frequency of updates diminished significantly after June 2015 with only one additional risk added before project completion in fall 2016. Although it is normal that the frequency of risk activity diminishes near the end phase of construction, the risk register was not updated to capture the monthly reviews, as required by the *SOPs*.
- Risk additions and updates for the S.A.I.L.S. Student Union project were infrequent. Risks for this project were added on a bi-yearly basis and does not reflect a consistent monthly update of the risk register as required by the *SOPs*. The PMO noted that risks registers are periodically reviewed during a

given month by the CPT/PMO but are only updated as needed when risks change or need to be added. Additionally, the risk comment section of the risk registry was not completed for the risk items added during the audit period.

- Risk additions and updates for the Media & Performing Arts Center project occurred on a bi-monthly basis throughout the project, which is less frequent than the monthly updates required by the *SOPs*.

Cause: Currently, the *SOPs* do not require an increased level of PMO oversight or reporting structure for higher risk projects that meet a designated threshold of size and complexity.

Additionally, the risk registers are not utilized to evidence the monthly consideration and reviews of risks in cases where no changes to the risks are identified by the CPT and or PMO. The effectiveness of the risk management program is dependent on the level of involvement of the CPT to utilize the risk tools and the enforcement of the *SOPs* by the PMO.

The risk comments field of the risk register is an optional field for the CPT to enter updates or notes as necessary for their benefit. Since the *SOPs* do not require any explanation of the risk in a commentary, it was not consistently utilized. In some instances, this field is used if additional clarification of the risk description field is required.

Effect: Without evidence of a monthly risk review, as evidenced by updated risk registers, there is no indication that the risk review process took place. As a result, actual risks may not have been sufficiently evaluated and the project may be exposed to uncertainties such as costly change orders, schedule delays, rework, and other risks. Increased PMO oversight for high-risk projects can help ensure an adequate commitment is obtained from the CPT to appropriately identify, estimate, and monitor these risks as required by the *SOPs*.

As a result of not completing the risk comments field with relevant information, the CPT and PMO may lose key information to new risks and may not be able to thoroughly understand the history of and reason for changes to a risk situation. The risk comments may be vital to provide lessons learned, assist with potential legal disputes, or provide documentation to understanding a risk.

Recommendation 5a: The CPT's and PMO should memorialize their monthly consideration of risk by updating the risk register on a monthly basis, even when there is no change to the risk register. Additionally, risk comments should be a required field of the risk register.

Recommendation 5b: The *SOPs* should be updated to increase PMO oversight to projects of inherently higher risk to the program.

Management Response 5a: The PMO Risk Manager will conduct a monthly risk register review and update conferences with each College Project Director or designee. The Risk Manager will document and memorialize compliance with requirement for monthly updates. The *SOP* will be revised to reflect that comments are required within the risk comment field.

Management Response 5b: The PMO Risk Manager will coordinate with the Program Director or Deputy Program Director to identify high risk projects. The *SOP* will be modified to require additional PMO engagement on these high risk projects.

Change Orders

6. **SOP requirements related to the change order process are not always followed. Additionally, the SOPs do not provide requirements for changes to Professional Service Master Agreements, Professional Service Task Orders for Specialized Services, and Professional Service Multiple Award Task Order Contracts for amendments to the agreements. (Low Priority)**

Criteria:

- *CM 01 CP 1.0 Rev 6 dated June 30, 2017; Section 7.8.1 General Change Order Procedures (Page of 51):* No work is to commence on a change in scope until specifically authorized IN WRITING by either a Field Order or an approved Change Order (CO). Section 7.8.6 Construction Field Orders (CFO): ...A Field Order (*Form CO-0330*) is used to initiate a CO in urgent or emergency situations. An emergency situation is defined as an immediate danger to people and/or property, or as an issue that would materially impact the construction schedule and/or project cost if not addressed promptly. The College Program Director (CPD) will evaluate whether or not a Field Order is required, or whether a conventional CO can be issued without negative impact to the schedule due to CO processing time; ...**Field Order Levels of Authorization:** Contract Adjustments by the use of a Field Order setting forth an agreement between the District and Contractor must be authorized as follows: **CPD, RPL and College President** – Must review and sign all Field Orders and provide three wet copies for further review and approval. **PMO Director of Construction** – Any Field Order above \$50,000 and/or any Field Order that exceeds 5% of adjusted total contract value, must also be approved by the PMO Director of Construction. **Deputy Program Director** – Any Field Order above \$100,000 and/or any Field Order that exceeds 5% of adjusted total contract value, must also be approved by the Program Director or Deputy Program Director. **Chief Facilities Executive** – Any Field Order that increases the total change order rate above 10% adjusted total contract value, or any single Field Order that exceeds \$250,000, must also be approved by the Chief Facilities Executive.
- *CM 01 CP 1.0 Rev 6 dated June 30, 2017; Section 7.8.7 Change Order Proposal (COP):* ...Regardless of delivery method, any COP submitted must include all documentation needed to support any addition, deletion or revision to the work described in the contract. Supporting documentation will include, at a minimum, the following: **Notice of Change (Form CP-0254):** The Contractor will provide a Notice of Change to the CPD within 5 days of discovery of circumstances that constitutes a compensable change, deleted work and compensable delay or other matter that may involve or require a contract adjustment (additive or deductive). **Notice of Change Validation with merit:** The CPD, in conjunction with the Design Engineer/Architect will conduct a review of the contract documents to determine validity and that the change is necessary. If it is found that the Notice of Change has merit the CPD will issue a **Request for Proposal (RFP Form CP-0250)** or Construction Field Order if conditions listed above apply. The Contractor will prepare a **COP (Form CP-0270)** and **CO Pricing Sheet Summary (Form CP-0280)** and submit it to the CPD within the time frame specified in the Request for Proposal. **Notice of Change Validation without merit:** If the CPD rejects the Notice of Change as being without merit, or does not respond to the Notice of Change yet the Contractor still believes there is merit, the Contractor will then submit a **COP (Form CP-0270)**. This COP is to be submitted within 14 days of the Notice of Change.
- *Contract Management SOPs PMA 8.0 Rev. 5 dated June 27, 2017; Section 6.2 Professional Services Task Orders:* Task orders authorize a consultant to perform specific task or tasks under the terms of a Master Service Agreement. Task orders define scope of services, performance schedule, and task order amount...Task order request or revision forms, related correspondence and supporting documentation are emailed to: task.order@build-laccd.org...**6.2.1 Standard Task Orders for Services:** Standard task order for services, including Asset Management, Cost Estimating, Claims, IT Support Services, Move Management, Moving and Storage and any other professional consulting services require these steps: a)

Consultants are selected from previously approved master service agreements. b) Requests for task orders or task order revisions are initiated by the District, PMO, or CPT and submitted via e-mail to PMO Contracts with *Task Order Request Form CP-0007*, including signature approval of the request. c) Requests for task orders must contain complete, accurate information related to consultant, college, and project name. For complete form requirements, refer to *Task Order Request Form CP-0007*.

Condition: Based on our testing of four change orders and 25 *Change Order Proposals*, we identified four change order criteria from the *SOPs* that were not consistently met. However, the departures identified by our audit do not indicate any systemic or system wide issues, but collectively, they are significant enough to point out in our audit results.

1	Construction <i>Field Orders</i> for LAHC SAILS Student Union change order 024 were not executed by the appropriate authority required by the <i>SOPs</i> prior to Work commencing in the field. Per the <i>SOPs</i> , no work is to commence on a change in scope until specifically authorized IN WRITING by either a <i>Field Order</i> or an approved change order and at a minimum must be reviewed and signed by College Program Director (CPD), Regional Program Liaison (RPL) and College President before proceeding and signed by the PMO Director of Construction if over \$50,000, Deputy Program Director if over \$100,000, and Chief Facilities Executive if over \$250,000. The required approvals were not obtained.
2	Execution of multiple change orders for the LAHC SAILS Student Union project were delayed for over a year due to the PMO/CPT not issuing a unilateral change order for change order 010, as required by the <i>SOPs</i> , when negotiations did not initially conclude with a mutual agreement between LACCD/PMO/CPD and the Contractor.
3	Contractors did not consistently submit <i>Notices of Change</i> within 5 days of discovery of change or submit <i>Change Order Proposals</i> within 14 days of <i>Notice of Change</i> per <i>SOP Change Order Proposal</i> submission standards.
4	There was no written requirements in the <i>SOPs</i> related to changes of Professional Service Master Agreements, Professional Service Task Orders for Specialized Services, and Professional Service Multiple Award Task Order Contracts (MATOCs).

Cause: Although the *SOPs* were previously modified by the PMO to develop a process for Construction Field Orders (CFOs) to provide specific instructions with regard to signature and authorization requirements before work may commence in the field, the CPT PM at LAHC determined that it would be advantageous to the project schedule to instruct the Contractor to proceed with work in the field to be monitored and recorded on a Time and Material (T&M) cost basis. CFOs were issued subsequent to receiving the Contractor’s *Notice of Change*; however, in one instance the resulting cost of work (greater than \$250,000) relating to a CFO significantly exceeded the time and materials (T&M) not-to-exceed amount provided (\$30,000). The CPT did not enforce the required change management process and monitor the progress of the T&M work to ensure the appropriate authorization to proceed with work was granted before the not-to-exceed amount was exhausted.

Change Order approval process required extended period of time for execution due to either misplacement or multiple resubmission of East Los Angeles College Change Order 021-COP 049BR documents by Contractor therein delaying formal submission to CPT and PMO. Contractor provided email reference stating documentation was misplaced in Contractor’s project file folder.

SOPs (PMA 8.0 Contract Management) were revised on August 19, 2015, to include Professional Services Task Orders and MATOCs procedural changes but did not include procedures and guidelines to approve revisions to these agreements/task orders to align with developed PMIS process flow.

Effect: Without complete and consistently followed change order procedures, the District may incur costly and/or unnecessary charges for change order work.

Recommendation 6a: The PMO should discuss the non-compliance issues identified by this audit with the CPTs as a “lessons learned” and establish a procedure to monitor CPT compliance with the requirements established by the *SOPs* going forward.

Recommendation 6b: The District should update *SOPs* with a written procedure of current PMIS process flow for guidance on revisions or modification to Professional Service Master Agreements, Professional Service Task Orders for Specialized Services, and Professional Service Multiple Award Task Order Contracts (MATOCs).

Management Response 6a: We acknowledge that the auditors reviewed a project in which deficiencies in the time to process a change order and/or other non-compliance issues were identified. The PMO Regional Project Directors will reinforce with the College Project Teams full compliance with the *SOPs* for Change Order processing.

Management Response 6b: We agree. PMO will update the *SOPs* with a written procedure.

DRAFT

APPENDIX A - SUMMARY OF OBSERVATIONS

N.	FY17 Audit Observation	KPMG Effect/Recommendation	BuildLACCD Management Response	Process Owner
BASELINE BUDGETING/FORECASTING				
1	<p>Project budget estimates, including changes to cost estimates and budget transfers, are not consistently documented and supported by the College Project Teams (CPTs). (High Priority)</p>	<p>Effect: As there is no consistent documentation of the monthly consideration of the estimated cost at completion (EAC), as required by the <i>SOPs</i>, it is not clear that the individual CPT’s sufficiently considers and evaluates forecasted costs. As a result, project estimates as reported in the public <i>Dashboard reports</i> may be inaccurate, especially if they have not been updated for a period of months. Lack of evidence of monthly EAC updates may also cause confusion or uncertainty about whether the current estimate reflects accurate project information, even in cases where the EAC is current, but the monthly estimate was not updated to reflect the revised date.</p> <p>Lack of frequent evaluation of CPT estimates by the PMO, may result in periodic large scale, budget re-baselining efforts (one which occurred during the audit period) in order to restate these estimates to better reflect more realistic estimates for scope of work to complete, current open commitments, expenditures and forecast by funding source, potential cost and schedule impacts not yet accounted for in the funding or estimate at completion. If CPT’s do not follow the documentation standards set forth by the <i>SOPs</i>, and do not have regular oversight by the PMO, the program is at risk for future large scale re-baselining efforts.</p> <p>Lastly, by not including a detailed explanation of the purpose, justification, and circumstances necessitating a budget transfer and estimates, the PMO and leadership at the college may not have a full understanding of the reasons driving the transfer or</p>	<p><u>Management Response 1a:</u> The PMO will enforce a process for monthly updates of the project Estimates at Completion (EAC) by the College Project Teams. Enforcement of the updates will be the responsibility of the Regional Program Directors (RPDs). In addition, PMO will revise the <i>SOPs</i> to reflect Project Estimate Worksheets (PEWs) can only be updated by the College Project Teams at key project milestones and with PMO and District approvals.</p> <p><u>Management Response 1b:</u> PMO will update the <i>SOP</i> to clearly identify that a white paper is required for a budget transfer above \$250K and that an internal memorandum is required to document budget transfers less than \$250K. In addition, the recommended update will require RPD approval for all budget transfers. Enforcement of these requirements will be reinforced with the CPT and PMO Project Controls team. All budget transfers submitted to the PMO will be rejected if the required document is not accompanying the transfer request.</p>	BuildLACCD (PMO)

N.	FY17 Audit Observation	KPMG Effect/Recommendation	BuildLACCD Management Response	Process Owner
		<p>estimates. The PMO may also be unaware of potentially larger project issues that may need to be addressed in a timely manner to ensure the success of the project.</p> <p>Recommendation 1a: Build should increase PMO oversight of the CPT estimating process at set stages of projects where it is deemed that a higher risk of incorrect project cost estimates exist in order to avoid a large scale re-baselining efforts at a later date. Smaller, periodic adjustments to estimates is preferable.</p> <p>Recommendation 1b: All budget transfers should include a memorandum to fully explain the cause, purpose, justification and financial feasibility of the budget transfer. Additionally, the current “white paper” requirement should be incorporated with the <i>SOPs</i>.</p>		
INVOICE MANAGEMENT				
2	<p>The current PMIS does not include adequate tracking of invoices, from receipt of invoice to payment. (High Priority)</p>	<p>Effect: Without tracking and monitoring of an invoice from the moment it is received all the way to final payment, including each intermittent step toward approval, the District is at risk of not satisfactorily complying with its payment timeline obligations.</p> <p>By not tracking and monitoring <i>Notice of Correction</i> or a <i>Payment Stop Notice</i>, for example, an invoice can move back and forth between the CPT, PMO, and the contractor several times without any record on the invoice approval activity log, which is used by the PMO to manage the invoice payment process. When an invoice is subjected to a <i>Notice of Correction</i> by the PMO, the invoice is technically disputed, resulting in an extended payment period while the contractor makes the required revisions. The period of time during</p>	<p>Management Response: PMO will utilize the daily Invoice Workflow State Report to track invoice approval workflow to ensure timely payment of invoices. PMO will use the College Project Team (CPT) Received field in the report as the control date to start the clock on the timing of invoice payments. In addition, PMO will utilize the report to determine when an invoice in the workflow has not been processed to the next step within 2 days and to contact the workflow step owner that invoice processing is pending their approval. PMO will require an escalation to PMO Finance Manager of any</p>	<p>BuildLACCD (PMO)</p>

N.	FY17 Audit Observation	KPMG Effect/Recommendation	BuildLACCD Management Response	Process Owner
		<p>which a contractor makes revisions to a deficient invoice is not tracked within the PMIS, and may result in an inconsistent review process or a dispute between the District and contractor regarding the length of time taken for a payment to be issued.</p> <p>Lastly, repeated transfer of responsibilities, combined with a lack of PMO tracking and monitoring of invoices, can result in a liability for the District in the event that an invoice becomes disputed and potentially result in a claim.</p> <p>Recommendation 2a: BuildLACCD should incorporate and track all invoice approval activities with the Invoice Approval Activity Log, starting with the receipt of invoice, in order to facilitate vendor payments on time in accordance with California contracting law and contractual obligations.</p> <p>Recommendation 2b: The PMIS should be configured to provide frequent reminders to invoice approvers until the invoice is acted upon and advanced to the next stage of approval.</p>	<p>invoice that is not processed out of a step within 5 days.</p>	
PROJECT CLOSEOUT				
3	<p>The closeout process for several projects finished prior to April 2013 have not yet been completed and on a few occasions, project close-out requirements promulgated by the</p>	<p>Effect: Critical project documents related to the closeout process may be incomplete, missing, or stored in an unknown location. In the event where project documents may need to be accessed to demonstrate compliance and/or completion, the inability to locate relevant information could expose the program to additional financial risks and penalties. By not completing the lessons learned report in a timely manner, CPTs may not be operating as efficiently and</p>	<p>Management Response 3a: The PMO currently maintains an up-to-date master list of all projects that are in the closeout process or have completed closeout. The list is updated and reported out to the District in form of the monthly Closeout Summary report which ensures that all significant project records are accurate and match</p>	<p>BuildLACCD (PMO)</p>

N.	FY17 Audit Observation	KPMG Effect/Recommendation	BuildLACCD Management Response	Process Owner
	<p>SOPs are not met. (Medium Priority)</p>	<p>effectively as desired, as project performance is not evaluated and areas of improvements are not captured and referenced by later projects.</p> <p>Timely release of retention is crucial for project contractors and subcontractors. A delayed release of retention can impair a vendor's ability to meet financial obligations and may reflect poorly on the BuildLACCD program among closely-connected industry peers. However, in cases where contractors submit their retention invoice late, Build may not be able to conform with its own SOPs as currently written.</p> <p>Recommendation 3a: The PMO should validate the master list of all projects that are in the closeout process or that were previously closed out so that it contains the same information found on the source document.</p> <p>Recommendation 3b: The PMO should ensure that the CPTs complete required lessons learned for each project completed, utilizing forms specified within the SOPs. Lessons learned should be documented contemporaneously and be completed in a timely fashion in order to capture essence of the lesson being documented. In addition to issues that may cause potential problems on a project, teams should also capture successes and the methods by which they were accomplished.</p> <p>Recommendation 3c: The BuildLACCD program should revise the SOPs to reflect that retention should be paid within 30 days of receipt of the retention invoice.</p> <p>Recommendation 3d: The PMO should endeavor to review all legacy projects for completeness and accuracy in order to ensure that all contractual, procedural, and regulatory requirements related to project closeout are satisfied.</p>	<p>approved project forms. Additionally, and whenever possible, the PMO will use information extracted from the actual recorded documents to verify that <i>Form CC-0110 Certification of Substantial Completion</i> and the date recorded within the PMO file of record.</p> <p><u>Management Response 3b:</u> The PMO has prepared an updated Project Closeout SOP, stating that Project Lessons Learned are to be collected throughout the project lifecycle and documented at weekly project meetings and/or at major project milestones. Within 90 days of notice of final completion, the College Project Teams will gather all lessons learned documentation and submit via form CP-0380 to the PMO Closeout Coordinator. The PMO Regional Program Directors will be will provide oversight to ensure compliance with this SOP procedure.</p> <p><u>Management Response 3c:</u> The SOP states that 100% of retention is released, less withholds for disputed work within 60 days of substantial completion regardless of whether an invoice is received from the Contractor. Current statute requires release of retention within 60 days of substantial completion. PMO Regional Program Directors will reinforce to the College Project Teams requirements of both the SOP and Statute.</p>	

N.	FY17 Audit Observation	KPMG Effect/Recommendation	BuildLACCD Management Response	Process Owner
			<p><u>Management Response 3d:</u> The PMO will create a scope package that identifies legacy projects (prior to April 2013) that have not completed closeout and certification. The PMO is proposing to the District that a contract be issued to provide closeout and project certification services for the identified legacy projects.</p>	
PROJECT MANAGEMENT INFORMATION SYSTEM (PMIS)				
4	<p>There is limited integration between the various PMIS platforms (SharePoint, Proliance, DocView, ProjectWise, P6), causing each program to operate largely independently. (Medium Priority)</p>	<p>Effect: The bond program may face increased exposure to risks by not having a well-connected and highly integrated PMIS to effectively and efficiently manage projects to help ensure they are delivered within budget, scope and timeframe. The project teams within the key process areas reviewed as part of the audit (risk management, budget and cost estimating, project closeout, change management, and invoicing) may not have adequate visibility into the operations and current conditions of other related project areas.</p> <p>As identified and documented throughout this audit, the PMO may be subject to variations in data between various departments as a result of multiple sources and origins of data. An update to project data in one department may not be reflected in another department, potentially resulting in inaccurate data and conflicting internal reports. Due to a lack of automation and communication between the PMIS platforms, crucial project information may not be accurately conveyed between teams and may contribute to operational risks. These risks can impact the project from a schedule,</p>	<p><u>Management Response:</u> We agree with the findings. The PMIS was not initially designed as an integrated project management solution; it was implemented as a system of standalone software packages used for the discrete functional design of each software package e.g., CostPoint for finance, Proliance for budget management, change orders, funding management, etc., and SharePoint for sharing documents.</p> <p>The audit finding recommendation of “enhancing” PMIS by increasing the degree of connectivity between each platform would require an Application Programming Interface (API), which is not a part of the existing architecture, and would essentially require a reimplementation to structure the software packages to work together; the point of “connectivity” for this implementation of PMIS is essentially the Data Warehouse</p>	BuildLACCD (PMO)

N.	FY17 Audit Observation	KPMG Effect/Recommendation	BuildLACCD Management Response	Process Owner
		<p>finance, or quality perspective and may result in decreased efficiency and potentially impact the success of the project.</p> <p>Additionally, without the functionality in place to capture and/or analyze relevant data, the overall efficiency and effectiveness of the project delivery process is hampered.</p> <p>Recommendation: The PMO should continue enhancing the PMIS by increasing the degree of connectivity between each platform. The PMIS should be capable of capturing and transferring all project-related information between each individual platform to ensure that a change in one key project area results in an update to all other platforms and teams.</p>	<p>where all of the data is stored after the transactional process. Each software application within the PMIS ecosystem is essentially serving as a data collection platform to process and manage transactions within the scope of functionality of each application. After the data processing step, the data is manually imported into the Data Warehouse by the PMO IT team and then used in reporting by Program Controls.</p> <p>Our response to this recommendation is to commence initiatives: (1) to address the quality and completeness of the data existing within the independent systems, and (2) evaluate the rationale of double entry procedures such as documenting Change Order Proposals in both SharePoint and Proliance. Short of designing, purchasing and implementing a new and integrated PMIS, we believe that this is the most efficient and cost effective path forward given that the current independent software applications within PMIS were not designed for full data integration.</p>	
RISK MANAGEMENT				
5	Project risk registers are not always completed in accordance with the SOP's. (Low Priority)	Effect: Without evidence of a monthly risk review, as evidenced by updated risk registers, there is no indication that the risk review process took place. As a result, actual risks may not have been sufficiently evaluated and the project may be exposed to uncertainties such as costly change orders, schedule delays, rework, and other risks.	<u>Management Response 5a:</u> The PMO Risk Manager will conduct a monthly risk register review and update conferences with each College Project Director or designee. The Risk Manager will document and memorialize compliance with requirement	BuildLACCD (PMO)

N.	FY17 Audit Observation	KPMG Effect/Recommendation	BuildLACCD Management Response	Process Owner
		<p>Increased PMO oversight for high-risk projects can help ensure an adequate commitment is obtained from the CPT to appropriately identify, estimate, and monitor these risks as required by the <i>SOPs</i>.</p> <p>As a result of not completing the risk comments field with relevant information, the CPT and PMO may lose key information to new risks and may not be able to thoroughly understand the history of and reason for changes to a risk situation. The risk comments may be vital to provide lessons learned, assist with potential legal disputes, or provide documentation to understanding a risk.</p> <p>Recommendation 5a: The CPT's and PMO should memorialize their monthly consideration of risk by updating the risk register on a monthly basis, even when there is no change to the risk register. Additionally, risk comments should be a required field of the risk register.</p> <p>Recommendation 5b: The <i>SOPs</i> should be updated to increase PMO oversight to projects of inherently higher risk to the program.</p>	<p>for monthly updates. The <i>SOP</i> will be revised to reflect that comments are required within the risk comment field.</p> <p>Management Response 5b: The PMO Risk Manager will coordinate with the Program Director or Deputy Program Director to identify high risk projects. The <i>SOP</i> will be modified to require additional PMO engagement on these high risk projects.</p>	
CHANGE ORDERS				
6	<p><i>SOP</i> requirements related to the change order process are not always followed. Additionally, the <i>SOPs</i> do not provide requirements for changes to Professional Service Master Agreements,</p>	<p>Effect: Without complete and consistently followed change order procedures, the District may incur costly and/or unnecessary charges for change order work.</p> <p>Recommendation 6a: The PMO should discuss the non-compliance issues identified by this audit with the CPTs as a “lessons learned” and establish a procedure to monitor CPT</p>	<p>Management Response 6a: We acknowledge that the auditors reviewed a project in which deficiencies in the time to process a change order and/or other non-compliance issues were identified. The PMO Regional Project Directors will reinforce with the College Project Teams full compliance with the <i>SOPs</i> for Change Order processing.</p>	BuildLACCD (PMO)

N.	FY17 Audit Observation	KPMG Effect/Recommendation	BuildLACCD Management Response	Process Owner
	Professional Service Task Orders for Specialized Services, and Professional Service Multiple Award Task Order Contracts for amendments to the agreements. (Low Priority)	<p>compliance with the requirements established by the <i>SOPs</i> going forward.</p> <p>Recommendation 6b: The District should update <i>SOPs</i> with a written procedure of current PMIS process flow for guidance on revisions or modification to Professional Service Master Agreements, Professional Service Task Orders for Specialized Services, and Professional Service Multiple Award Task Order Contracts (MATOCs).</p>	<p><u>Management Response 6b:</u> We agree. PMO will update the <i>SOPs</i> with a written procedure.</p>	

DRAFT

APPENDIX B – LIST OF ACRONYMS

Acronym	Definition
AECOM	Program Manager or AECOM Technical Services, Inc.
AE	Architect/Engineering (firm)
API	Application Programming Interface
BOT or Board	Board of Trustees
BuildLACCD	Los Angeles Community College District Program Management Office, a blended program management team consisting of AECOM or Jacobs (after October 15, 2017), other consultants, and members of the District.
CM	Construction Manager
CFO	Construction Field Orders
CO	Change Order
COP	Change Order Proposal
CPD	College Project Director
CPT	College Project Team
CWOC	Projects closed without Certification
DBB	Design-Bid-Build
DocView	Document records and storage system maintained by Program Manager
DSA	Division of State Architect
EAC	Estimated Cost at Completion (for a project)
GAS	Government Auditing Standards
GAO	Government Accountability Office
GC	General Contractor
KPI	Key Performance Indicators
KPMG	KPMG LLP
LACCD or District	Los Angeles Community College District
LAHC	Los Angeles Harbor College
LAPC	Los Angeles Pierce College
LASWC	Los Angeles Southwest College
LAVC	Los Angeles Valley College
MATOC	Multiple Award Task Order Contracts
OCIP	Owner Controlled Insurance Program
O&M	Operation & Maintenance
PEW	Project Estimate Worksheets
PM or PMO	Program Manager or Program Management Office
PMIS	Program Management Information System
RPD	Regional Program Directors
RPL	Regional Program Liaison
SEP	Strategic Execution Plan
SOPs	Standard Operating Procedures Manual
T&M	Time and Materials
UII	Universal Inquiry Interface

APPENDIX C – SUMMARY OF MANAGEMENT’S PLANS

(Improvements reported by BuildLACCD, and not subject to audit)²

The current PMO has continued many initiatives to improve the bond program under its current leadership. Below are examples of leading practices that started during and after the period of audit, as represented by management, but have not yet been audited by KPMG:

Program Improvements:

- PMIS Workflow improvements (within Proliance system)
- Restriction to UEWII / Sunset
- Sharepoint Change Management tool
- Enhancements implemented including Adobe eSign for PLLs
- Monthly Binder of Contractual Deliverables
- December 2016 Deep Dive /Baseline
- Approval Framework for Measure CC Funds
- Process for Release Program Reserves
- Active Pre-Construction & Construction Report
- Weekly Chancellor’s Report
- Advancement of FMPOC Design presentation to SD from 50% DD
- Standardization of contingency across project types
- PMIS Reporting including Workstate Activity Report
- PMIS training materials including Proliance Desk References, process flow diagrams, PMIS approval matrix
- Revised Invoice Timing KPI
- Regional Reviews
- PMO Department Quality Assessments
- Revised closeout process (including legacy projects)
- Migrate encumbrance function from F&A to Contracts

² KPMG did not audit these “leading practices” against PMO represented performance criteria.

- BuildLACCD Code of Conduct Policy/Training
- Streamlined monthly Dashboard report
- Monthly mobile dashboard report
- Refresh of college pages on Build website
- Creation of access database to track all staff on/off BuildLACCD since April 2013
- IT Strategic Execution Plan (SEP) final release – December 2016
- Improved DSA Certification processes; results: 27% drop in total projects closed without Certification (CWOC), as of Dec 2016, 92% of total projects closed with DSA Certification
- Increased Energy Early PV Buyout program; total 9 completed in 2016-2017
- Total industry program awards
- Deloitte Assessment Report Summary (as of 10/2016)
 - Financial Baseline Report 9/2013: 17 recommendations; 17 complete
 - IT Baseline Report 9/2015: 21 recommendations; 21 complete
 - Energy Project Overview Report 1/2016: 7 recommendations; 7 pending completion of Deloitte report
 - CPT Staffing Assessment Report 5/216: 1 recommendation; 1 pending District approval
 - Invoice Process and Payment Review Briefing 5/2016: 7 recommendations; 7 complete
 - BuildLACCD Hiring Practices for MATOC Report 6/2026: 9 recommendations; 6 complete, 3 subject to BOT approval

APPENDIX D - SUMMARY AND STATUS OF 2014-15 OBSERVATIONS AND RECOMMENDATIONS (open as of 2015-16 report)
 (Management’s response provided by BuildLACCD)

2014-2015 Observations and Recommendations	Management’s Response and Status
<p>1. <u>Scheduling</u></p> <p>1b. The District should start tracking individual line item schedule changes on a monthly basis for purposes of conducting their own internal schedule variance analysis.</p>	<p><u>Management’s October 2017 Update:</u></p> <p>1b. Closed.</p> <p>The PMO Project Controls team has implemented new fields in the Program’s P6 scheduling software to capture the Contract NTP and Contract Finish for active Construction projects. Variances are reviewed on a monthly basis. Additionally, in 2nd quarter 2017, IT implemented a new Sharepoint based change management log allowing increased visibility on approved contract duration changes, including providing training and reporting on the new change management system. As a result, change management tracking is monitored continually and project changes, such as schedule variances, are reported out on a monthly basis.</p>
<p>2. <u>Budget and Cost</u></p> <p>2a. The District should complete the revised project baseline effort for all projects.</p>	<p><u>Management’s October 2017 Update:</u></p> <p>2a. Closed.</p> <p>Starting in December 2016, the PMO initiated an Estimate at Completion (EAC) update exercise to refine/confirm each active project’s “bottoms up” estimate. By January 2017, the PMO completed new baselines for half of the colleges (the last college was complete by May 2017) and incorporated the new data into the LACCD Dashboard. Updates to the Dashboard were subsequently provided on a monthly basis.</p>
<p>3. <u>Project Expenditure</u></p> <p>3a. The District should ensure appropriate contract terms related to contractor and vendor billings are executed and subsequently followed.</p>	<p><u>Management’s October 2017 Update:</u></p> <p>3a. Closed.</p> <p>District contracts with upcoming expiration dates, at the time of the original report, were allowed to expire. The professional services contracts in the 1000-1009 series noted were amended in November 2016, and fully approved by the District in March 2017. Provisions relating to vendor/contractor electronic payments and invoice payment tracking were addressed Amendments 5 and/or 6. All other professional services contracts carrying these provisions were amended according to Recommendation 3 in Q1 2017.</p>

APPENDIX D - SUMMARY AND STATUS OF 2015-16 OBSERVATIONS AND RECOMMENDATIONS

(Management’s response provided by BuildLACCD)

2015-2016 Observations and Recommendations	Management’s Response and Status
<p>1a. <u>Project Management Reporting</u></p> <ul style="list-style-type: none"> • The <i>SOPs</i> do not include standardized report templates or format for weekly/monthly progress reporting, internal or external or for routine compliance testing to confirm that weekly/monthly progress reporting is consistently prepared and follows a standardized format. Although the monthly Dashboard Report is named, it is not incorporated as a template. • Although required reports related to progress, cost, and schedule are mentioned throughout the <i>SOPs</i> there is not a comprehensive reporting matrix included with the <i>SOPs</i> to clearly identify all reports by type, timing, responsible entity, and distribution. The PMT provided a matrix, but it is not referenced by the <i>SOPs</i>. • Dashboard reports do not include overall or project metrics on schedule, such as original completion date, forecasted completion date, schedule variance, and percentage completion. Additional metrics that may be important for management to analyze trend and historical data are not tracked and reported. These additional metrics may include the Recordable Incident Rate, the Lost Daily Case Rate, number and amount of contractor claims, number and amount of project rework, AE Fee percentage, CM/GC Fee percentage and amount, price per square foot, change order percentage, and earned value management statistics. Dashboard reporting requirements should be defined in the <i>SOPs</i>. 	<p><u>Management’s October 2017 Update:</u></p> <p>1a.1. Closed.</p> <p>In June 2017, the Quality Management SOP PMA 9.0, Rev.1 was updated to reflect PMO's development and use of standardized reporting templates based on District requirements; see SOP section 7.1-Client and Standardized Reporting Templates. Also added: a section on Program Assessment role; see section 6.4-Program Assessment.</p> <p>1a.2. Closed.</p> <p>In August 2016, the PMO issued an updated Client Deliverables Summary Matrix which listed the entirety of contractually required deliverables, reports and audits (by type, timing, responsibility and distribution) required of the PMO. In September 2016, the PMO initiated use of a monthly deliverables binder (including each prior month’s data. i.e., August 2016 data) for cost, schedule and other client deliverable reporting.</p> <p>1a.3. Closed.</p> <p>In September 2016 the PMO implemented an improved dashboard report including project metrics on schedule, original completion date, forecasted completion date, schedule variance, and percentage completion. In November 2016 the PMO revised its monthly dashboard reporting process with Program Controls issuing month-end freeze notification emails; subsequently, additional guidance for the colleges was included. On 6/30/17 the Budget and Cost Management PMA 5.0 <i>SOP</i> Rev.3 was posted including 9/2016 and 11/2016 process improvements reflected in the "Dashboard and Cost Load Schedule Reporting Calendar" attachment.</p>

<p>1b. <u>Value Engineering</u></p> <p>Although value engineering activities may be performed on projects, there is not a formal, documented value engineering process with tracking, reporting, and monitoring of value engineering activities.</p>	<p><u>Management's October 2017 Update:</u></p> <p>1b. Closed.</p> <p>In August 2017, the Design Process and Requirements DP 1.0, Rev. 1 was posted including a formal, documented value engineering process, identifying the means of tracking, reporting and monitoring project value engineering activity.</p>
<p>1c. <u>Procurement Planning</u></p> <p>There is not a documented requirement in the <i>SOPs</i> to develop, review, approve, and monitor a formal project procurement plan for all projects above an established dollar threshold that is standardized across the bond program. A procurement planning process ensures that all contract activities and contract milestones are identified, and that the procurement plan is regularly updated and communicated. Leading practices procurement plans include/address the following:</p> <ul style="list-style-type: none"> • Identify which services are needed and which will be provided internally along with supporting justifications, key risks, assumptions/constraints, and market analysis. • Identify all owner procured equipment and responsible party. Identify contract type/form for each major service and whether the contract will be competitively bid. This will include identifying which business unit/department is responsible for developing the scope statement. • Major milestones for each contract. • Owner's and actions for each procurement activity 	<p><u>Management's October 2017 Update:</u></p> <p>1c. Closed.</p> <p>In June 2017, the Contract Management PMA 8.0, Rev. 5 <i>SOP</i> was posted including provisions in section 17.0 Procurement Planning which formalized procurement planning processes for an established dollar threshold (standardized across the bond program). These now regularly updated and communicated processes are intended to ensure that all contract activities are identified and contract milestones met.</p> <p>Procurement planning for major capital improvements and smaller design-bid-build construction projects procured through the Prequalified Construction Service Provider (PQSP) multiple award task order contract is performed on a weekly basis through a coordination meeting between Contracts, Construction, and Program Controls utilizing the Program P6 Milestones in the Bid & Award phase.</p> <p>The results of this meeting are a schedule matrix comparing current procurement schedules to the January 2017 Baseline Schedule. This matrix is recorded and presented to Senior Staff weekly and to the District at the weekly Touch Base update.</p>

1d. Project Site Security

There are no formal site security policies and procedures in the *SOPs* that identify requirements for physical site access, video cameras, background checks, etc. Although contractor responsibilities are incorporated into their respective contracts, the *SOPs* do not reference them. The language in the contracts is general in nature and does not include all leading practices.

Leading practices may include formalized site security policies and procedures utilized on all major construction projects with real time tracking of project personnel (professional services, construction, as well as Build and District personnel) via electronic badging system and project video cameras setup throughout project sites. District Project personnel may be vetted via formal background checks and project personnel may be required to pass drug screening, as required. Site security should perform frequent and routine project site security checks that are documented and all incidences are formally documented, tracked and investigated.

Management's October 2017 Update:

1d. Closed.

In June 2017, the Construction Management CP 1.0, Rev. 6 *SOP* was posted including provisions in section 9.0 identifying Site Security policies and procedures, as follows:

“Guided by the District Bond Program contractual language, the PMO and CPT provide oversight of the General Contractor in providing the appropriate level of security. This level of security meets or exceeds industry standards for college campus environments while complying with District security guidelines for Bond Program projects. Project site security is the responsibility of the General Contractor under the oversight of the PMO and the CPT. The Contractor’s duty is outlined in the paragraph Site Security in Article 3 of the Contract General Conditions”. Additional guidance provided to District Project personal is also included in the referenced section.

In regards to screening of professional service personnel – There is no statutory requirement for community college districts to perform background checks on the employees of independent contractors performing work for the District. Without a statutory requirement for these checks it is a District decision whether to require them or not. BuildLACCD is not legally in a position to impose such a requirement and as a result cannot unilaterally issue a policy as part of its SPOs. The District has indicated a desire to begin performing background checks of professional personnel and has engaged an outside labor law firm to develop this policy. The LACCD Administrative regulation B-35 “Consultant Criminal Background Check” was published February 14, 2017 and posted to the LACCD website. The PMO has incorporated this policy into its standard procedures by adding a background check to the BuildLACCD onboarding checklist.

2a. The LACCD bond program Standard Operating Procedures (SOPs) for Contracts and Procurement Management do not include certain procurement requirements used by the bond program.

The bond program *SOP*'s dated May 24, 2016, specifically, the Professional Services Contract Management Procedure: Multiple Award Task Order Contracts and the Design Bid Build Contract Management Procedure: Projects of \$45,000 or less, establishes and defines the procurement requirements.

In our discussions with the PMO about the procurement process, it was explained that part of the procedure for a Multiple Award Task Order Contract (MATOC) procurement of pre-qualified construction service providers. This type of MATOC procurement is currently not incorporated with the *SOPs*.

The Parking Lot Improvements at Pierce Center for the Sciences project at LAPC was procured through a construction order, which states it is a contract option for construction less than \$30,000; however, this contracting method is not defined in the *SOPs* and the template used is not incorporated with the *SOPs*.

Management's October 2017 Update:

2a. Closed.

In June 2017, the Contract Management PMA 8.0, Rev. 5 *SOP* was posted including provisions in section 6.0, Professional Services, and Attachment 4, Task Order Process for Professional Services Agreements and Attachment 5, Multiple Award Task Order Contract (MATOC) Execution Process - identifying policies and procedures for Professional Services Task Orders.

In the same June 2017 update of the Contract Management *SOP*, guidance on the use of the PQSP Bench was issued - see *SOP* Section 7.6 Prequalified Construction Service Providers (PQSP) Bench Contract Task Orders.

Also with the June 2017 update, the process for procuring informal bids (typically \$45,000 or less) is specifically addressed in the Contracts Management *SOP* Section 7.2.1, page 30 - in accordance with Public Contract Code Section 22032 and Board Rule 7103.08.

2b. Supporting documentation for procurement is at times incomplete.

1. A project budget verification form or other verification or other sufficient form of verification of College President’s knowledge, as required by the *SOPs*, was not included with the procurement documentation for the following solicitation:

- Design-bid-build (DBB) Parking Lot Improvements at Pierce Center for the Sciences project at Los Angeles Pierce College (LAPC)

2. Confirmation of available budget for procurement was not included with the procurement documentation for the following solicitations:

- OCIP Brokerage and Administrative Services throughout the District
- AE Design Services, the School of Math and Science (LASWC)

3. Project budget verification forms were not validated (signed) by the Program Manager or Program Controls for the following solicitations:

- Pierce Automotive CIP Architect of Record (LAPC)
- Valley Central Plant project at Los Angeles Valley College (LAVC)

4. CPT/CCL confirmation that estimates align with PMO for DBB task orders were not available for the following projects:

- Performing Arts Amphitheater at West Los Angeles College (WLAC)
- Central Plant Phase 2 (WLAC)

5. Contract Administrator, CPT and RPL confirmation of contractor compliance with all award requirements for DBB task orders for the following projects:

- Performing Arts Amphitheater (WLAC)
- Central Plant Phase 2 (WLAC)

Management’s October 2017 Update:

2b.1-5. Closed.

2b.1 This issue has been resolved through the implementation of PMIS. The Proliance/PMIS system does not allow procurement to proceed without appropriate approvals. Accordingly, project budget authorization, project budget verifications, confirmation of available budget for procurement, and estimate alignment are addressed as a project progresses through the PMIS system.

2c. Procurement documents do not incorporate a consistent naming convention and at times are not readily available electronically.

Procurement documents were difficult to locate in DocView, which serves as the bond program’s primary document repository. No procedure or naming convention is incorporated in the *SOPs* to facilitate easy location reference and searchable terms of specific documents, whether maintained in DocView or located elsewhere.

Management’s October 2017 Update:

2c. Closed.

Procurement documents for fully executed contracts are stored in the DocView document control system. Working procurement documents for ongoing procurements are contained in the PlanetBids bidding system pending full execution and storage in Doc View. See PMA 4.0 Document Control Management Plan *SOP*, section 4.3 Document Control Structure and section 4.3.2 Work Breakdown Structure for procedures naming convention and file index methodology. In addition, Numbering the June 2017 Contracts *SOP*, section 16.4 Procurement System reflects the Contracting Officer’s Directive for procurement document numbering to ensure transparency and facilitate document tracking and retrieval numbering to ensure transparency and facilitate document tracking and retrieval.

	<p><u>Management's October 2017 Update:</u></p> <p>2c. Closed. (Continued)</p>
<p>3. <u>Certain invoiced amounts do not comply with the contractual terms and conditions, and supporting documentation is incomplete.</u></p> <ul style="list-style-type: none"> • Seven invoices in the amount of \$203,134 did not include conditional or unconditional waivers as required by the contract terms. According to the District, waivers are not required for professional services and do not apply. However, this should be reflected in the contract. (This is a repeat observation.) • Six invoices in the amount of \$104,032 did not include a narrative progress report as required by the contract terms. According to the District, the invoices are for professional services and a narrative progress report does not apply. However, this should be reflected in the contract. 	<p><u>Management's October 2017 Update:</u></p> <p>3. Closed.</p> <p>The professional services contracts in the 1000-1009 series noted were amended in November 2016, and fully approved by the District in March 2017. Provisions relating to vendor/contractor electronic payments and invoice payment tracking were addressed Amendments 5 and/or 6.</p> <p>All other professional services contracts carrying these provisions were amended according to Recommendation 3 in Q1 2017.</p>

DRAFT