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

Fiscal Year Ended June 30, 2022

December 14, 2022

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December 14, 2022

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

Dear Mr. Smith:

This final report presents the results of our work conducted to address the performance audit objectives relative to the Los Angeles Community College District's (LACCD) Proposition A, Proposition AA, Measure J and Measure CC bond programs. Our work focused on areas covered under the bond program during the period of July 31, 2021, through June 30, 2022, and our results are as of the date of this report.

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

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

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

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

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

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

Very truly yours,

KPMG LLP

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EXECUTIVE SUMMARY

This performance audit was conducted in accordance with Generally Accepted *Government Auditing Standards* (*GAGAS*) as a requirement for construction bond programs under California Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Proposition 39). Our work for the year was performed between June 2022 and October 2022.

Objective

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

The objective of this performance audit was to understand certain aspects of the Los Angeles Community College District's (LACCD or District) management of the bond program (Program) and bond program expenditures in accordance with the requirements of Proposition 39. Total audited aggregate bond expenditures were $236,088,741 during the fiscal year ended June 30, 2022.

Scope

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

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

- **Schedule management, variance analysis and reporting** (or "Schedule Management") – KPMG assessed bond program schedule management activities with a focus on schedule changes and variance analysis during the construction phase. KPMG also evaluated compliance with relevant Project Management Office (PMO) schedule management *SOPs* and leading practices.

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

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

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

Our audit procedures were performed on a sample of active projects or contracts as required by GAGAS.

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

Audit Summary

Based on our audit work performed, we did not identify any significant control deficiencies within the context of the audit and we did not identify any high priority audit observations. Additionally, we did not identify any significant[1] charges to the program that did not conform to the requirements of Proposition A, Proposition AA, Measure J and Measure CC. Based on our audit scope this year, we made observations where we identified opportunities for improvements related to updates to the *SOPs* and compliance with PMO policies and procedures.

As of November 7, 2022, all our recommendations had been addressed by management.

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.

All observations related to improving the *SOPs* and compliance activities are low priority observations. There are no medium or high priority observations for this audit period. All recommendations have already been implemented by management.

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

2. (SCHEDULE and BUDGET MANAGEMENT) **The *SOPs* include documentation requirements that are outdated or unclear and should be revised, including:**

    a. the requirement for a *Master Schedule Change Form*.

    b. the level of detail required for schedule documentation submitted with *Release of Program Reserve Funds Request* (RPRF) packages.

3. (BUDGET MANAGEMENT) ***SOP* documentation requirements for budget rebaselining and budget transfers were not consistently followed by the colleges, including:**

    a. missing budget re-baseline documentation: *Anticipated Cost Report, Project Estimate Worksheet, Project Schedule,* and *Project Estimate*.

    b. missing *Form PMA-0044* with budget transfer packages

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

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[1] GAGAS 8.15: *"Significance is defined as the relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors."* In the performance audit standards, the term "significant" is comparable to the term "material" as used in the context of financial statement audits.

BACKGROUND

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

The Los Angeles Community College District's (LACCD or District) bond program is largely funded by Proposition A, Proposition AA, Measure J and Measure CC, which were approved by voters in 2001, 2003, 2008 and 2016, respectively. The total authorized bond fund dollars increased to $9.6 billion from the inception of the program. Approximately $3.4 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 (audited) were $236,088,741 during the fiscal year ended June 30, 2022; $4,666 (Proposition A), $16,340 (Proposition AA), $93,868,475 (Measure J) and $142,194,260 (Measure CC). Proposition A and Proposition AA bonds are in the process of be out.

BuildLACCD's function is to facilitate the delivery of projects under the bond program. BuildLACCD manages these voter-approved bond funds in order to modernize and renovate the nine colleges of the District. The types of projects include new and renovated academic buildings and laboratories, libraries, sports facilities, arts complexes, administrative buildings, child development centers, parking structures, central energy plants and renewable energy projects.

BuildLACCD and the Project Management Office (PMO)

BuildLACCD consists of over 150 positions in a number of functional areas and includes several consultants and members of District staff. The largest function of BuildLACCD is the program management function, which is being provided by Jacobs Project Management Company (Jacobs or PMO) for a five-year period commencing September 15, 2017, through September 14, 2022.

College Project Team (CPT)

Each college location has a College Project Team (CPT) in place. The CPTs are responsible for performing services to oversee college master planning, environmental impact studies, programming, design, construction, project closeout. They are also responsible for overseeing design consultants, contractors, and vendors at each college location.

The bond program operated under a decentralized model between 2007 and 2013 with a significant level of autonomy placed with the individual colleges, including project management decisions, documentation requirements, and delivery methodologies. Beginning under the prior PMO (AECOM) in 2013 and continuing under the current PMO (Jacobs), all CPTs were contracted directly with the District but report to the PMO. This created a centralized structure and improved accountability.

Regional Project Directors (RPDs)

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

Jacobs' transition and commitment to improve communications. The RPD's role is to assist CPTs with developing project requirements, monitor and facilitate clear communication between the PMO and the CPTs, and streamline approvals for CPT-provided information. The RPD monitors and guides the CPD and the CPT to execute projects successfully through each phase of the project lifecycle. As the principal coordinator between the PMO and the CPD, the RPD routinely interfaces with college presidents and facilities directors.

Over the last years, the RPDs have helped elevate and resolve questions, concerns, and issues raised from the CPTs to the PMO. The responsiveness of the RPDs has also helped increase the satisfaction with the PMO, as the communications between the CPTs and the PMO have improved. The implementation of the RPD role continues to be reflected in our audit results.

Standard Operating Procedures (*SOPs*)

A bond program of the size and complexity like LACCD's, requires an adequate Program internal control structure in place. A Program's policies and procedures help create an internal control framework for an organization. It is this internal control framework that management will rely upon and that will help ensure the organization's objectives are being met. Well-written policies and procedures also allow employees to clearly understand their roles and responsibilities within predefined limits. LACCD's policies and procedures for the bond program are included with the Program's *SOPs*.

Over the years, we have noted improvements in the District *SOPs*. The District and PMO have continued efforts to revise and update *SOPs* based on current in-practice procedures or changes to project requirements.

AUDIT SCOPE AND METHODOLOGY

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

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

Methodology

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

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

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

Scope

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

1. Schedule Management, Variance Analysis and Reporting (or "Schedule Management")

Our audit objective related to schedule management included assessing bond program schedule management activities on a sample of projects with a focus on schedule changes and variance analysis during the construction phase. We audited a sample of six projects across various colleges and project stages during the audit period.

Our audit procedures included the following:

    a) Interviewed key Program personnel with specific knowledge related to schedule management of selected samples

    b) Evaluated the *LACCD Bond Program Standard Operating Procedures (SOPs), Schedule Management (PMA 6), revision 6*.

c) Verified the WBS was aligned to the cost work breakdown structure (in PMIS)
d) Verified that the Master Schedule was broken down into level 1 and 2
e) Verified that the Master Schedule included timelines for all events, such as the requirement for a comprehensive environmental impact report and a master plan for each college; planning, design and design approval; and bid/award, construction and occupancy schedules
f) Verified that the Level 1 schedule contained activities for each major phase of the project and key milestones according to delivery method and type.
g) Verified that the Master Schedule was updated monthly
h) Verified that the Program Controls Manager compared monthly schedule updates to the initial performance baseline and performed analytical studies.
i) Verified that schedules were developed as logic-driven and included milestones, risks, resources, costs, and other budget items as appropriate.
j) Verified that Re-baseline schedules were accompanied by a Change Order Proposal and Time and/or Cost Impact Analysis
k) Verified that Re-baseline schedules were approved by proper authorities
l) Verified that the schedule was updated on a monthly basis by the PMO scheduler
m) Verified that the schedule variance analysis and narrative report was completed on a monthly basis
n) Verified whether status report included activity progress leading up to milestone achievement against baseline milestone dates
o) Verified each project contractor developed a cost-loaded contractor schedule utilizing P6 or other software as approved per General Conditions
p) Verified contractors submitted a 90-Day Construction Schedule to the CPT within 14 calendar days of Notice to Proceed
q) Verified that contractors submitted monthly schedule updates and held monthly review meetings
r) Verified that the Contractor delivered to the CPT a Four-Week Rolling Schedule derived from the accepted schedule, in bar chart format, at each weekly progress meeting. Confirm that the Contractor clearly identified the critical path, near critical path, milestone status, and any variance from the most recent accepted monthly schedule update and baseline schedule.
s) Verified that the CPD reviews Contractor's schedule submittal and returns to Contractor within 7 days of receipt of payment application with proper notation
t) Verified that any Contractor initiated delays, with project completion date 15 or more days beyond the contract completion date, were supported by a recovery schedule.
u) Verified that a change order was executed for schedule delays
v) Verified that the latest Forecasted Substantial Completion Date update received from the Contractor aligned with BuildLACCD's Monthly Project Schedule Updates.
w) Verified that the College submitted a monthly summary schedule including Earned Value Metrics (EVM). The report must include the following Earned Value Metrics:
   i. Cost Performance Index (CPI)
   ii. Schedule Performance Index (SPI)
   iii. Estimate at Completion (EAC)
   iv. Estimate to Complete (ETC)
   v. Variance at Completion (VAC)
   vi. Schedule Variance (SV)
   vii. Cost Variance (CV)
x) Verified that or the projects with cumulative schedule delay over 60 days or with monthly schedule delay over 10 days, the project manager and CPD provided a narrative explaining the variances.
y) Verified that any variance narratives included proper documentation
z) Verified monthly reports includes the following:
   i. Master Schedule
   ii. Monthly Schedule Updates

    iii.   Construction Contract Schedule
    iv.   Cost Load Schedule
    v.   Monthly Variance Reports
    vi.   Monthly Schedule Performance Summary (All Active Projects)
    vii.   Monthly Milestone Status Report
    viii.   Contractor Recovery Schedules
    ix.   Scheduling Delay Documentation
    x.   CPT KPIs
    xi.   Master Schedule Change Form
    xii.   Cash Flow Forecast (In conjunction with Finance)
    xiii.   Ad Hoc client deliverable requests (BOT, FMPOC, Chancellor, DCOC)

2. Budget Management, Variance Analysis, Reporting and Forecasting (or "Budget Management")

Our audit objective related to budget management included assessing project budget management activities including project stages (or "gates") where cost estimating and forecasting takes place, construction cost estimating, variance analysis, justification for budget adjustments and/or budget transfers. Our audit focused on compliance with PMO budget management and cost estimating policies & procedures and leading practices. We audited a sample of six projects across various colleges and project stages during the audit period.

Our audit procedures included the following:

a) Interviewed key Program personnel with specific knowledge related to budget management of selected samples
b) Evaluated the *LACCD Bond Program Standard Operating Procedures (SOPs), Budget Management (PMA 5), revision 3.*
c) Verified the PMO utilized budget and cost management systems
d) Verified original project budget was approved by proper authorities
e) Verified that cost information related to Bond Program was tracked monthly against budgets
f) Verified that Bond Program participants conformed and aligned with WBS for active projects
g) Verified that PMO Account Managers, CPTs, and RPDs performed budget and cost management reviews
h) Verified that dashboard reports were updated monthly and uploaded to the District's public website
i) Verified that the CPT prepared a New Project Request Form (PMA-0043)
j) Verified that the Project Budget Establishment Form (PMA-0044) was completed and contained all necessary approvals, including College President
k) Verified that project budget re-baseline white papers were completed at major milestones
l) Verified that project budget re-baseline white papers contained all necessary documents
    i.   Project Estimate Worksheet (PEW)
    ii.   Anticipated Cost Report (ACR) from PMIS
    iii.   Project Schedule
    iv.   Construction Cost Estimate validated by PMO Estimator
    v.   Programming and Design Criteria Architect Programming Report for DBB project re-baselining at the completion of programming phase
    vi.   Construction Bid for DBB project re-baselining at the completion of construction contract bid phase
    vii.   Design-Build-Entity Price Proposal for DB project re-baselining at the completion of

DB contract bid phase

    viii.   Design-Build-Entity guaranteed maximum price (GMP) for DB project rebaselining at the completion of GMP establishment phase

m) Verified that project budget re-baseline white papers contained all necessary approvals
n) Verified that the Project Budget Transfer Form had been completed, including approved white paper and *Form-0044*
o) Verified that the budget transfers contained all necessary approvals
p) Verified that Cash Flow Projection Reports were generated monthly
q) Verified that month-to-month variance reports were produced monthly
r) Verified that the Release of Program Reserve Funds Requests were prepared containing all necessary documents:
    i.   Support Criteria for application of Funds
    ii.   Current College Risk Register/Summary
    iii.   Complete ROM/PEW
    iv.   Project Schedule
    v.   Changes to Project Prioritization List
    vi.   Detailed college cost report, including variance detail, if any
s) Verified that the EAC was updated monthly during construction phase by the CPT/PMO Account Manager
t) Verified that the EAC/ETCs contained adequate supporting documentation
u) Verified that a contingency analysis and validation was completed on a monthly basis by the CPT/PMO Account Manager
v) Verified that EAC's were reviewed and updated at each phase of the projects by CPTs/PMO Account Managers, RPDs and PMO Program Controls Cost Management staff
w) Verified that the correct bond funding was in the project budget
x) Verified that a white paper was submitted for project name changes or other deviation from ballot language

3. **Document Management and Recordkeeping (or "Document Management")**

Our audit objective related to cost and financial management included evaluating the PMO's and individual project level document management practices and filing taxonomies and assess compliance with the District's current *SOPs* relating to timely and complete filing of project records. Five colleges were sampled where each college's folder set-up was audited for compliance with document management and recordkeeping requirements during the audit period.

Our audit procedures included the following:

a) Interviewed key program personnel with specific knowledge related to document management of selected samples
b) Evaluated the *SOPs*, *Document Control Mgmt Plan. (PMA 4.0), revision 3*
c) Evaluated the Master File Archives Index
d) Verified that the Daily Incoming Documents are sorted, scanned (in local P Drive), logged and delivered to the appropriate department
e) Verified that all executed documents are reviewed by DocView/scanned, coded and filed (including historical documents). Verify that the vendor list, project number, names, and coding for DocView are maintained.
f) Verified that the local file servers are maintained in compliance with the standard directory and file naming conventions
g) Verified that all project documents are assigned an applicable file number as taken from the Master File

Archives Index and stored on the CPT's server

h) Verified that there are practices and staff training available in how to archive documents and the new employees receive Web DocView & DocView training

i) Verified that title pages of Controlled Documents contain the following elements, as a minimum:
   i. Title
   ii. Name of issuing organization
   iii. Have received the appropriate review, approval, or authentication (signature). Verify that the documentation is complete, including attachments or exhibits and the materials are legible
   iv. Document identification number and revision
   v. Document Control issuing number

j) Verified that 30% complete design submittals are stored in Proliance until they are finalized or approved

k) Verified that all working documents and other required project documents, such as fully executed documents, stored in Proliance have been transferred to the project folder and/or DocView at Final Project Closeout.

l) Verified that the following documents are filed and stored in file cabinets in the PMO Document Control office:
   i. Legal work product documents and original settlements.
   ii. Performance and Payment Bonds

4. Expenditures (or "Bond Expenditures")

Our objective related to bond expenditure included evaluating samples of bond expenditures incurred during the audit period in order to establish whether the costs incurred for which bond funds were used have been spent on projects and costs approved by the voters, for allowable purposes and that they are in compliance with the District's Cost Principles and other bond requirements. We audited a sample of 126 expenditure transactions incurred during the audit period for compliance.

Our audit procedures included the following:

a) Interviewed key program personnel with a specific knowledge related to the bond expenditure process.

b) Verified that sampled expenditures were allowable per Proposition 39

c) Verified that sampled expenditure project was specified by Proposition A/AA or Measure J/CC Bond Project List.

d) Verified that sampled expenditure project was authorized for a construction, reconstruction, rehabilitation, or school facilities replacement project.

e) Verified that sampled expenditures were eligible per Bond Program Cost Principles

AUDIT RESULTS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

The PMO has a commitment to continuous improvements of the Program *SOPs*. In line with this commitment, we noted certain areas of *SOPs* where the District can benefit from making updates.

1. (DOCUMENT MANAGEMENT) **There is an opportunity to update current document management *SOPs* and Master File Archive Index (MFI) to improve consistent implementation of filing structures across the colleges.**
Cause: Outdated MFI structure and guidelines and ad-hoc practices across colleges have resulted in the current state of inconsistent implementation of filing structures. It appears that the Master File Archive Index (MFI) has not been updated since 2015.
Criteria: The document management *SOPs* requires CPTs to follow requirements set forth within the MFI regarding folder and filing structure for project documents.   Per PMA 4.0 Rev. 4 – Document Control Management Plan – Section 5.3.1, *"Naming of electronic files consists of a combination of the WBS and Master File Archive Index list. It is to be utilized by all people working on Bond Program project including the PMO and CPT staff. The standard is consistent with File Servers, Proliance and Doc View. This standard provides the numbering for the project file naming starting with the WBS Codes (level 2,3,4) followed by the structure as defined in the Master File Archive Index."*   **Condition:** Certain required project document folders are not used by CPTs, such as the "communications" folder. This folder was reported by one college to not be used at all as communications are typically filed under a relevant topic folder. At another college, communications documents are filed in duplicate both under the communications and the topic-specific folder. Other folders have been created on an ad-hoc basis to serve project-specific filing needs of the CPTs, including folders for contractor daily reports and white papers. These ad-hoc folders are not part of the current MFI structure.   **Effect:** In the absence of consistently updated language based on current state practices, CPTs may modify the folder structure to suit their college and project needs, resulting in inconsistent filing and documentation practices across colleges which may lead to difficulty in locating documentation during the course of the project and especially during closeout. The practice of double filing leads to inefficiencies when it is done for the sake of MFI compliance.   **Recommendation:** PMO and CPT's should collaborate with the colleges to update MFI requirements to incorporate current state document management practices, including removing unnecessary folders and considering updating filing requirements to align with CPT current state practices.   **Management Response:** Effective November 7, 2022, the PMO has reviewed and updated the MFI and met with all colleges to review changes. The updated MFI requirements incorporate current state document management practices, including removing unnecessary folders and updating filing requirements. All colleges are now using the updated MFI.

2. (SCHEDULE and BUDGET MANAGEMENT) **The SOPs include documentation requirements that are outdated or unclear and should be revised, including:**
a. the requirement for a *Master Schedule Change Form.*   b. the level of detail required for schedule documentation submitted *with Release of Program Reserve Funds Request* (RPRF) packages.
Cause: Unclear and/or outdated *SOP* documentation requirements with overriding verbal agreements with the PMO have resulted in current state practices that are not aligned with the *SOPs*.

2a) Requirement for Master Schedule Change Form

Criteria: The *SOP* requires the CPTs to furnish select reports at various stages of the project. Per PMA 6.0 Rev. 6 – Document Control Management Plan – Section 6, *"Master Schedule Change Form"* is a required report, however the purpose of this report is not described or made clear.

Condition: Per our review of documents provided for our sampled projects, three of six samples did not complete the *Master Schedule Change Form*. After a discussion with the PMO, we understand this form is no longer required.

Effect: In the absence of updated language based on current state practices, CPTs are not consistently completing reports that are shown as required within the *SOP* or they are completing reports that do not serve any beneficial purpose.

Recommendation: The *SOP* language should be updated to clarify current state requirements and the requirement of the *Master Schedule Change Form* should be removed.

Management Response: Effective November 7, 2022, the PMO is following the change order review at the project level. The Master Schedule Change Form has been removed from the *SOP* to clarify the process. Clarification was also added to specify that the schedule re-baseline refers to a project re-baseline, not a program re-baseline.

2b) Level of detail required for schedule documentation submitted with Release of Program Reserve Funds Request (RPRF) packages.

Criteria: The *SOP*s require CPTs to provide specific documentation within RPRF packages. Per PMA 5.0 Rev. 3 – Budget and Cost – Attachment 8, *"CPT prepares and submits 2017 Release of Program Reserve Funds Request, including: a. Support Criteria for application of Funds, b. Current College Risk Register/Summary, c. Complete ROM/PEW, d. Project Schedule, e. Changes to Project Prioritization List, and f. Detailed college cost report, including variance detail, if any"*

Condition: While the *SOPs* provide a list of required RPRF documentation, they do not specify the level of details required for the project schedule. All six RPRF samples included different types and levels of project schedules, ranging from high-level activities with start and finish dates to a fully detailed project schedule with detailed line item breakdowns of individual activities and associated costs.

Effect: The *SOPs* leave room for interpretation of the level of schedule detail needed, which may lead to inadequate information for management evaluating the RPRF packages.

Recommendation: The PMO should update the *SOPs* to clarify the level of project schedule required to support RPFP packages, inclusive of an example schedule.

Management Response: Effective November 7, 2022, the PMO has updated the *SOPs* to clarify the level of project schedule required to support RPFP packages, inclusive of an example schedule. Changes were communicated to the colleges.

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

Cause: Existing *SOP* requirements were not enforced or not needed and as a result, the colleges overlooked some of the required document inclusions related to budget rebaselining and budget transfers.

3a. Project Budget Re-baseline Packages – missing documentation

Criteria: The *SOP* requires CPTs to provide specific documentation within project budget re-baseline packages. Per PMA 6.0 Rev. 6 – Document Control Management Plan – Section 6, *"The White Paper package will include the following supporting documents:*

- *Project Estimate Worksheet (PEW)*
- *Anticipated Cost Report (ACR) from PMIS*
- *Project Schedule*
- *Construction Cost Estimate validated by PMO Estimator*
- *Programming and Design Criteria Architect Programming Report for DBB project rebaselining at the completion of programming phase*
- *Construction Bid for DBB project re-baselining at the completion of construction contract bid phase*
- *Design-Build-Entity Price Proposal for DB project re-baselining at the completion of DB contract bid phase*
- *Design-Build-Entity guaranteed maximum price (GMP) for DB project rebaselining at the completion of GMP establishment phase."*

Review and inclusion of all required supporting documentation for re-baseline packages is an important controls activity.

Condition: CPTs did not consistently develop documentation packages in line with *SOP* requirements. The missing documents were not identified in the subsequent approval process.

Three of seven packages audited were missing certain required documentation that should have been included with each rebaselining package.

- Two packages were missing the *Anticipated Cost Report (ACR) from PMIS*
- One package was missing the *ACR, Project Estimate Worksheet (PEW), Schedule*, and the *Project Estimate*.

Effect: Without the required documentation included with the rebaselining package, it is difficult to confirm whether all information was reviewed sufficiently prior to approval. Approvers may be lacking important information and rebaselining decisions may be made without considering all aspects.

Recommendation: The PMO should enforce the current *SOP* requirements with the CPTs.

Management Response: Effective November 7, 2022, the PMO has reinforced the requirement in the *SOP* to include the Anticipated Cost Report, along with all other required documentation, as part of the whitepaper.

3b. Missing Project Budget Transfer Form

Criteria: The *SOPs* require CPTs to provide specific documentation with each Project Budget Transfer Form.

Per PMA 5.0 Rev. 3 – Budget and Cost – Section 8, *"CPT Cost Analyst will prepare and print the "Project Budget Transfer Form" from PMIS for obtaining written signatures on the form per the approval process depicted in the table above. The form will include approved white paper and Form-0044 as supporting documents."*

Condition: Two of fourteen *Project Budget Transfer Forms* audited did not include *Form PMA-0044, Project Budget Establishing Request*, as required. *Form PMA-0044* is based on an evaluation of all the available information at the time of completion of the form.

Effect: Without the required documentation included with the *Project Budget Transfer Form*, it is difficult to confirm whether all information was reviewed sufficiently prior to approval. Approvers may be lacking important information and budget transfer decisions may be made without considering all aspects.

Recommendation: The *SOP* language should be updated to clarify current state requirements and the requirement of including Form *PMA-0044* with the *Project Budget Transfer Form* should be removed.

Management Response: Effective November 7, 2022, the *SOP* has been updated to clarify that the form is not required for budget transfer.

APPENDIX A - SUMMARY OF OBSERVATIONS

1.	(DOCUMENT MANAGEMENT) There is an opportunity to update current document management *SOPs* and Master File Archive Index (MFI) to improve consistent implementation of filing structures across the colleges.		
No.	**Audit Observation**	**Risk**	**Recommendation**
	Certain required project document folders are not used by CPTs, such as the "communications" folder. This folder was reported by one college to not be used at all as communications are typically filed under a relevant topic folder. At another college, communications documents are filed in duplicate both under the communications and the topic-specific folder. Other folders have been created on an ad-hoc basis to serve project-specific filing needs of the CPTs, including folders for contractor daily reports and white papers. These ad-hoc folders are not part of the current MFI structure.	In the absence of updated *SOP*/MFI language associated with documentation management requirements, it appears the onus rests on the CPT's to develop document management practices that are not identified within the MFI, which can potentially lead to inconsistent documentation practices.	PMO and CPT's should collaborate with the colleges to update MFI requirements to improve current state document management practices, including removing unnecessary folders and considering updating filing requirements to align with CPT specific requirements.

2.	(SCHEDULE and BUDGET MANAGEMENT) The *SOPs* include documentation requirements that are outdated or unclear and should be revised.		
No.	**Audit Observation**	**Risk**	**Recommendation**
a	a. The requirement for a Master Schedule Change Form Per our review of documents provided for our sampled projects, three of six samples did not complete the Master Schedule Change Form. After a discussion with the PMO, we understand this form is no longer required.	In the absence of updated *SOP* language in line with PMO expectations, there is potential for CPT's to inconsistently complete forms required by the *SOP*.	The *SOP* language should be updated to clarify current state requirements and the requirement of the *Master Schedule Change Form* should be removed.

2.	(SCHEDULE and BUDGET MANAGEMENT) The *SOPs* include documentation requirements that are outdated or unclear and should be revised.		
No.	**Audit Observation**	**Risk**	**Recommendation**
b	b. The level of detail required for schedule documentation submitted with Release of Program Reserve Funds Request (RPRF) packages. While the *SOPs* provide a list of required RPRF documentation, they do not specify the level of details required for the project schedule. All six RPRF samples included different types and levels of project schedules, ranging from high-level activities with start and finish date to a fully detailed project schedule with detailed line-item breakdowns of individual activities and associated costs.	In the absence of clear directive for documentation expectations within RPFP packages, there is potential for inconsistencies in RPFP package documentation across CPT's	The PMO should update the *SOPs* to clarify the level of project schedule required to support RPFP packages, inclusive of an example schedule.

3.	(BUDGET MANAGEMENT) *SOP* documentation requirements for budget rebaselining and budget transfers are not consistently followed by the colleges.		
No.	**Audit Observation**	**Risk**	**Recommendation**
a	CPTs did not consistently develop documentation packages in line with *SOP* requirements. The missing documents were not identified in the subsequent approval process. Three of six project audited were missing certain required documentation that should have been included with each rebaselining package. • Two packages were missing the Anticipated Cost Report (ACR) from PMIS • One package was missing the ACR, Project Estimate Worksheet (PEW), Schedule, and the Project Estimate.	In the absence of following *SOP* requirements for re-baseline packages, there is potential for inconsistent re-baseline packages due to CPT oversight.	The PMO should enforce the current *SOP* requirements with the CPTs.
b	Two of fourteen Project Budget Transfer Forms audited did not include Form PMA-0044, Project Budget Establishing Request, as required. Form PMA-0044 is based on an evaluation of all the available information at the time of completion of the form.	In the absence of updated *SOP* language in line with PMO expectations, there is potential for CPT's to inconsistently complete forms required by the *SOP*.	The *SOP* language should be updated to clarify current state requirements and the requirement of including Form PMA-0044 with the Project Budget Transfer Form should be removed.

APPENDIX B - LIST OF ACRONYMS

Acronym	Definition
AECOM	AECOM Technical Services, Inc.
AICPA	American Institute of Certified Public Accountants
BOT or Board	Board of Trustees
BuildLACCD	Los Angeles Community College District Program Management Office, a blended program management team consisting of AECOM or Jacobs (after October 15, 2017), other consultants, and
CPD	College Project Director
CPI	Cost Performance Index
CPT	College Project Team
CV	Cost Variance
DSA	Division of the State Architect
EAC	Estimate at Completion
ETC	Estimate to Complete
EVM	Earned Value Metrics
FCE	Fair Cost Estimate
FO	Field Order
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
GMP	Guaranteed Maximum Price
JACOBS	Program Manager or Jacobs Project Management Co.
JOC	Job Order Contract
KPI	Key Performance Indicators
KPMG	KPMG LLP
LACCD or	Los Angeles Community College District
MATOC	Master Agreement Task Order
MFI	Master File Archive Index
PEW	Project Estimate Worksheet
PMA	Program Management Administration
PMO	Program Manager or Program Management Office
PMIS	Program Management Information System
QA/QC	Quality Assurance/Quality Control
RACI	Key responsibilities: responsible, accountable, consulted, and informed
RPD	Regional Program Directors
RPRF	Release of Program Reserve Funds Request
RFP	Request for Proposal
RMT	PMO Risk Management Team
SEP	Strategic Execution Plan
SOP or *SOPs*	Standard Operating Procedures
SPI	Schedule Performance Index
SV	Schedule Variance
VAC	Variance at Completion

APPENDIX C - SUMMARY AND STATUS OF PRIOR OBSERVATIONS AND RECOMMENDATIONS

(Management's response provided by BuildLACCD)

There were no open recommendations at the time the FY 2020-21 performance report was issued, including any open FY 2020-21 recommendations, which had all been appropriately acted upon by management. As a result, we have no comments on the status of prior observations and recommendations.