



**LONG BEACH COMMUNITY COLLEGE DISTRICT**

**Construction Bond Measure E  
Interim Performance Audit Report**

**For the Fiscal Year Ended  
June 30, 2005**

January 21, 2006

Eloy Oakley  
Vice President, Administrative Services  
Long Beach Community College District  
4901 E. Carson Street  
Long Beach, California 90808

Dear Mr. Oakley:

This report summarizes the results of our engagement to provide Measure E performance audit services for the fiscal year ended June 30, 2005. This performance audit evaluated the processes and controls needed to achieve construction program cost, scope and schedule goals established by the bond measure, and to provide commentary on cost factors which affect the facilities improvements within the Long Beach Community College District (District). Good practices and improvement opportunities, as identified at the time of report issuance, are identified in this report.

This engagement was performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants as outlined in our engagement letter dated October 13, 2004. The scope of this engagement is outlined in the body of our report. Our report was developed based on information from our interviews with District employees and our testing and analysis of facilities improvement program documentation.

This report is intended solely for the use of District Administration, the Bond Citizens' Oversight Committee (COC) and the College Board of Trustees (Board). Moss Adams LLP does not accept any responsibility to any other party to whom this report may be shown or into whose hands it may come.

We would like to express our appreciation to you and all members of your staff for your cooperation throughout our review. Please call Curtis Matthews at (503) 704-6943 if you have any questions regarding this report.

Sincerely,

MOSS ADAMS LLP



## Bond Program Performance Audit Table of Contents

<b>Objectives and Scope .....</b>	<b>1</b>
<b>Background Information.....</b>	<b>1</b>
<b>Executive Summary .....</b>	<b>2</b>
<b>Expenditure Testing Results .....</b>	<b>4</b>
<b>Follow-up on Previous Audit Recommendations .....</b>	<b>4</b>
<b>Key Observations</b>	
1. Compliance with Ballot, Bond, State and Other Funding Source Requirements .....	7
2. Regulatory Compliance .....	8
3. Communication and Fulfilment of Site Expectations .....	9
4. Facilities Programming and Master Plan Approach .....	11
5. Procurement Controls and Contract Administration.....	12
6. Contractor Liens, Claims and Other Close-out Issues .....	14
7. Cost, Schedule and Budgetary Management and Reporting.....	15
8. Program Staffing .....	17
9. Change Management and Control .....	18
<b>Appendices</b>	
Appendix A – Bond Program Expenditure Testing .....	20
Appendix B – Bond Program Summary of Projects and Costs by College .....	21



## OBJECTIVES AND SCOPE

This performance audit evaluated the Long Beach Community College District Measure E Bond Program compliance, program performance controls and efficiency. We have evaluated whether an appropriate control structure has been developed for implementation of the Measure E Construction Bond Program. We have also tested expenditures during the period July 1, 2004 through June 30, 2005 for compliance with Bond Program objectives.

Our performance audit team has validated construction program expenditures against Bond Program requirements, contract terms and conditions, and analyzed program level controls. We have conducted in-depth interviews and reviewed key program documentation including a draft copy of the Facilities Master Plan, District Measure E Bond Program Policies and Procedures, the Program Management Plan, and evaluated policies and procedures as put in practice by both the District and the Bond Management Team. A sampling of other Bond Program documents reviewed includes:

- Voter materials and bond documents
- Facilities planning documentation
- Procurement bid and award documentation
- Contracts
- Payment applications and invoices
- Relevant financial records and transaction support
- Board of Trustees and Bond Citizens' Oversight Committee reports
- Staffing plans

## BACKGROUND INFORMATION

The Measure E school construction bond was approved by voters in 2002 to provide \$176 million in improvements to Long Beach Community College District facilities. The Measure E school construction bond funds are to be used for the renovation, repair and replacement of aging educational facilities. Bond programs of this size and complexity require appropriate financial processes and operational controls to ensure compliance, effectiveness, program cost, schedule, quality and efficiency goals are achieved.

In January 2003, the District Board of Trustees approved an award of the contract for program management services to Bovis Lend Lease (known as Bovis, or the Bond Management Team).

Moss Adams was engaged to evaluate construction program controls and provide the required annual Bond Program performance audits for five years, beginning with fiscal year 2004-2005.



**EXECUTIVE SUMMARY**

The District implemented controls for the use of school construction bond proceeds to comply with Measure E requirements. Total Bond Program fund expenditures were \$16,039,089 from July 1, 2004 through June 30, 2005. Our performance audit evaluated expenditures between July 1, 2004 and June 30, 2005 totalling \$10,234,202, and found no exceptions with the use of Bond Program funds for approved Measure E purposes.

<b>Measure E Bond funds</b>	\$	176,000,000
<b>July 2002 - June 2003 Expenditures</b>	\$	1,377,121
<b>July 2003 - June 2004 Expenditures</b>	\$	4,495,282
<b>July 2004 - June 2005 Expenditures</b>	\$	<u>16,039,089</u>
<b>Remaining funds as of July 2005</b>	\$	<u>154,088,508</u>

The above summary of Measure E expenditures is based on the District’s books and records. These amounts are subject to and are pending receipt of the Bond Program audited CAFR (Audited District Financial Statements) from the District’s financial auditor, Vincenti-Lloyd-Stutzman, LLP. Expenditures listed in this report have not been subject to or impacted by the District’s financial statement audit procedures.

The District’s plans for prudent use of Bond Program funds properly consider the students’ need for information, and a safe and secure learning environment. The scope of the Bond Program is currently defined and communicated to District stakeholders through the Measure E Facilities Master Plan (Master Plan). Facilities planning documents, used in developing the Master Plan, consider classroom space requirements, future growth, and technology needs.

A construction Program Management Plan and the Facilities Master Plan have been developed to implement consistent application of good construction practices as noted in our good practices observations in this report. Current District Purchasing Department staffing levels appear to be insufficient to properly implement Bond Program controls as construction activities increase. Current District Facilities Department staffing levels also appear to be insufficient to properly address scheduled maintenance needs for the newly constructed facilities. District Staff, the Bond Management Team, and District consultants are working together to ensure that appropriate controls are developed and applied.

This report reflects procedural changes and actions taken through June 30, 2005 by the Bond Management Team and the District since the Performance Audits conducted in the prior fiscal year by Moss Adams LLP.



Improvements to the project and cost management processes have taken place since our last performance audit. As a result, a number of improvement opportunities identified in the December 2004 Audit and Interim Audit have been resolved, and additional good practices have been identified.

### **Summary of Key Good Practices**

- The District Citizens' Oversight Committee represents a cross-section of the community and stakeholders. Their responsibilities include review of Bond construction status and expenditures.
- Construction impact information is posted on the Bond Program website and e-mailed as "Construction Alerts" to the LBCCD community to warn them of disruptions.
- The District is aware that it cannot complete the entire list of projects with Measure E Bond funds, and that other funding sources will need to be identified to meet the continuing facilities and infrastructure needs of the District Colleges. There is a process in place to continuously forecast the future cost to implement the Facilities Master Plan in its entirety.
- Standardized contracts with explicit terms and conditions are used, and were developed by District Legal counsel.
- The Bond Program provides for executive-level review of project status and expenditures. Various communication methodologies are used each month to manage the Bond Program. These meetings provide for discussion and review of project status, budget reports, change orders and payment application approvals.

### **Summary of Key Opportunities for Improvement**

- Funding of operations and maintenance staff and capital costs, after construction of the expanded facilities are completed, has been identified as a risk to the District. The District should project maintenance costs after Bond Program construction and ensure there is sufficient funding to adequately maintain all facilities, especially those which are new and modernized.
- The District has a certified list of signatures for those authorized to sign orders for payment and contracts. However, the Program Management Plan should contain detailed contract approval procedures, including a limited list of authorized individuals who have signature authority for Bond Program contracts, with not-to-exceed dollar limits.
- Procedures should be put into place by the Bond Management Team to ensure that responsibilities are documented and knowledge transfer is properly planned to maintain institutional memory when turnover of key Bond Program personnel occurs.
- District purchasing procedures should be updated to reflect current practices and should incorporate a program to procure furniture, fixtures and equipment for Measure E projects.



- The Bond reporting effectiveness should be reviewed, once the Expedition, PeopleSoft and the Simpson and Simpson budget database software and systems are fully implemented. The District should work to ensure all costs tracked in PeopleSoft are also reported in the new Simpson and Simpson master Bond Program budget tool.

**EXPENDITURE TESTING RESULTS**

We reviewed 64 percent of the total LBCCD Measure E Fiscal Year 2005 expenditures. Our sample selection for testing was determined using a unit dollar sampling method providing each dollar spent for the bond project an equal chance of being selected. A total of 60 expenditures were sampled. All expenditures were agreed to vendor submitted invoices, supporting documentation, board approved contracts, billing rates approved in the contract, types of reimbursements claimed against the allowed reimbursements under the contract, and the types of services submitted for payment for allowable services under Proposition 39. We found no Measure E compliance exceptions.

**FOLLOW-UP ON PREVIOUS AUDIT RECOMMENDATIONS**

We interviewed District and Bond Management Team personnel to determine the status of resolving open audit issues. Through inquiry and review of documents, we confirmed that 66 of the original 79 issues have been resolved, eleven issues are open and are being resolved, and there are two unresolved issues.

**LBCCD Audit Resolution Status**

Source	Issues Identified	Issues Resolved	Solutions Being Implemented *	Unresolved Issues **
Interim Audit 2004	13	11	1	1
Audit 2004	66	55	10	1
<b>Total</b>	<b>79</b>	<b>66</b>	<b>11</b>	<b>2</b>

**Open Recommendations:**

The two unresolved issues require the implementation of facilities management software, and the development of policies and procedures specific to the PeopleSoft system.



The District and Bond Management Team (BMT) have stated that the remaining solutions are being implemented as follows:

- New District purchasing procedures should incorporate a program to procure furniture, fixtures and equipment for Measure E projects (Interim Audit, December 2004).
  - District Purchasing is in the process of developing a furniture procurement program, using the Los Angeles Community College District program as a model.
  - The District has contracted with an outside consultant to develop an audio-visual and information technology procurement program.
- The Bond reporting effectiveness should be reviewed, once the Expedition, PeopleSoft and the Simpson and Simpson budget database software and systems are fully implemented (Moss Adams, Report dated June 2004).
  - Testing procedures are being developed by BMT and the District.
- The functionality of the Simpson and Simpson Master Program Budget Tool should be reviewed; the District should ensure that all costs tracked in PeopleSoft are also reported in the new budget tool (Moss Adams, Report dated June 2004).
  - A testing method is being developed by BMT and is expected to be implemented in 2006.
- The functionality of the Expedition project management system should be reviewed upon implementation (Moss Adams, Report dated June 2004).
  - A testing method is being developed by BMT and is expected to be implemented in 2006.
- A recovery plan should be developed to address potential cost and schedule overruns (Moss Adams, Report dated June 2004).
  - The District and BMT are soliciting State funding of several major projects to augment available Measure E funds. The BMT is working with architecture and engineering teams in an ongoing effort to value engineer all projects in design.
- RMA (District contractor) review of District purchasing procedures should be completed (Moss Adams, Report dated June, 2004).
  - The District Measure E Bond Program Policies and Procedures will be updated to incorporate the procurement program for furniture, fixtures and equipment for Measure E projects.
- The District Handbook of Purchasing Regulations and Procedures should include current District practices (Moss Adams, Report dated June, 2004).
  - The District Handbook of Purchasing Regulations and Procedures is being updated by the District.



- The District should procure services from an independent third party to perform pay application review (Moss Adams, Report dated June, 2004).
  - The District is assigning an accounting technician to handle the basic accounting functions of the Bond Program and will conduct pay application reviews of the Bovis invoices.
- District procedures covering the evaluation of professional service contracts should be documented (Moss Adams, Report dated June, 2004).
  - The District Handbook of Purchasing Regulations and Procedures is being updated by the District and will address professional service contracts.
- A lessons-learned methodology and project close-out procedure should be developed by the District (Moss Adams, Report dated June, 2004).
  - The District will adopt a lessons-learned methodology from BMT and incorporate this in the District Measure E Bond Program Policies and Procedures.
- A formal contract close-out process should be developed by the District (Moss Adams, Report dated June, 2004).
  - The District Handbook of Purchasing Regulations and Procedures is being updated by the District and will address a formal contract close-out process.

#### **Good Practices:**

- a) The Bond Management Team has a formal monitoring and reporting process in place to ensure that audit issues identified are resolved in a timely and effective manner.

#### **Improvement Opportunities:**

##### **Medium Priority —**

- a) When the District Handbook of Purchasing Regulations and Procedures has been updated, the District should conduct training for employees and perform implementation.
  - ⇒ Management Response: The District concurs with the recommendation and will conduct training once the handbook has been updated.
- b) When the District Measure E Bond Program Policies and Procedures Manual has been updated, the District will need to conduct training for employees.
  - ⇒ Management Response: The District concurs with the recommendation and will conduct training once the policies and procedures have been updated.



## KEY OBSERVATIONS

The following improvement opportunities have been ranked as high, medium, or low priority based upon our professional experience with respect to potential probability and impact to construction program cost, schedule, and scope. Improvement opportunity prioritization is based on the need to address those items that most strongly align with construction program success drivers.

### **1. Compliance with Ballot, Bond, State and Other Funding Source Requirements**

We evaluated Bond Program financial records and expenditure cost support to verify that funds were used for approved Bond Program purposes as set forth in the Ballot Measure and Bond Documents. In accomplishing this work, we reviewed Bond Program accounting records, contracts, purchase orders, invoices, payment records and other documentation of current expenditures as needed to determine if funds were being used for Bond Program purposes.

We performed a walk-through of the Bond Expenditure Cycle and sampled supporting documentation for expenditures totalling \$10,234,202 (64%) of the total \$16,039,089 of Measure E funds expended between July 1, 2004 and June 30, 2005. See Appendix A for further information on sampled expenditures.

#### **Good Practices:**

- a) The District spent \$16,039,089 of Measure E funds in the period July 1, 2004 through June 30, 2005 and has implemented expenditure management processes including pay application review and signature approval to comply with Bond Program requirements.
- b) Steps have been taken by the District and the Bond Management Team to require expenditure approvals specific to the Bond Program. The District and the Bond Management Team have developed financial controls to manage the expenditure of Bond funds. Controls are in place to ensure that amounts billed represent actual work performed and are consistent with contractual requirements.
- c) The Measure E Construction Bond Program addresses current curriculum needs and objectives as stated in the Bond materials and the Facilities Master Plan.
- d) The Measure E Bond Program Facilities Master Plan and projects address priorities as intended in Measure E.
- e) The District Citizens' Oversight Committee represents a cross-section of the community and stakeholders. Their responsibilities include review of Bond construction status and expenditures.
- f) District attentiveness to fiscal management yielded savings through the refinancing and refunding of the initial \$40 million Bond issuance.



## **Improvement Opportunities:**

### **High Priority —**

- a) Internal control and reporting procedures over projects with multiple funding sources should be developed and implemented by the District and incorporated into the Program Management Plan (PMP).

⇒ Management Response: The District concurs with the recommendation and will work with the BMT to amend the PMP.

## **2. Regulatory Compliance**

We evaluated controls implemented to comply with selected Federal, State and local codes as well as Measure E requirements as noted in the good practices. This included seeking evidence of regular communication with the California Community College Chancellor's Office (CCCCO) and the Division of State Architects (DSA), and the review of published policies, plans, and procedures.

### **Good Practices:**

- a) The District Facilities Department communicates with the California Community College Chancellor's Office (CCCCO) regarding the Bond Program.
- b) The Bond Management Team has defined safety practices, as evidenced by the Bovis Lend Lease/State of California Injury and Illness Prevention (IIP) Program and Safety and Environmental Management System (SEMS) manual, and posted safety and emergency information in the Bond Management Team trailer.
- c) The Labor Compliance Plan is established as required by Assembly Bill 1506, Senate Bill 1646, and Proposition 47, is defined in the Bond Program Management Plan, and is implemented by the Solis Group.
- d) The Facilities Master Plan and Environmental Impact Report (EIR) have been completed and approved by the Board of Trustees.
- e) The District has revised its Injury and Illness Prevention Plan (IIPP) and has begun the process of training and implementation.

## **Improvement Opportunities:**

### **High Priority —**

- a) The District should continue with efforts to update and publicize the hazard communication plan and evacuation plans.



- ⇒ Management Response: The District concurs with the recommendation and will continue its efforts.
- b) The Bond Management Team should work with the District, to enable security access to the construction sites. This would include safety orientation for the security personnel regarding conduct onsite.
  - ⇒ Management Response: The District will consult with its contracted police service, Long Beach PD, to ensure that officers have access to construction sites.

### **3. Communication and Fulfilment of Site Expectations**

We reviewed the various communication tools used by the District to communicate Bond Program plans with stakeholders, especially the students, faculty, and the surrounding community. We interviewed the College President, Bond Management Team project managers and facilities project managers to better understand the specific types of communication that are occurring on campus and in surrounding communities. This analysis included assessment of whether or not a constant and adequate level of communication was maintained regarding the projects and program.

The methods to communicate construction plans and impacts to the community were reviewed and compared to good practices. This included the review of published plans and evidence of presentations to user groups, District Citizens' Oversight Committee, faculty, students, the community, District personnel, Bond Management Team personnel, and the Board of Trustees. Responsibility and accountability for site communication of project performance and coordination of site activities was reviewed.

#### **Good Practices:**

- a) The community is kept informed about the status of the Bond Program through the Citizens' Oversight Committee, the Measure E Bond Program website, dedicated construction impact e-mails, "In the Loop" campus e-mails, the campus "Viking News" newspaper, on-campus forums, "Bovis Builder" newsletters, and special events.
- b) The Measure E Bond Program website provides a means for communication of Bond Program plans to the community and stakeholders. The Facilities Master Plan is posted on the Bond website along with an overview of the purpose of the Bond. Detailed information about individual projects and construction impacts is also available on the Bond website.
- c) Construction impact information is posted on the Bond Program website and e-mailed as "Construction Alerts" to the LBCCD community to warn them of disruptions.



## Improvement Opportunities:

### Medium Priority —

- a) Recording and sharing of lessons learned is performed with varying degrees of success by the Bond Management Team. Centralized recording of lessons learned should be performed by the Bond Management Team and observations should be captured from the construction meetings. Lessons learned should be shared with the District Administration and Facilities Management.
  - ⇒ Management Response: The District concurs with the recommendation and the BMT will incorporate into the PMP a formal lessons-learned process and reporting. The report findings will be reviewed with BMT and District staff to identify improvement opportunities.
- b) There are several mediums for communication used by the District and the Bond Management Team, such as newsletters, e-mail blasts, and on-campus meetings. As construction activity increases, the District and the Bond Management Team should examine and increase its communication related to construction, safety, obstructions, way-finding and parking alternatives.
  - ⇒ Management Response: The District concurs with the recommendation and the BMT will work with the Facilities, Maintenance and Operations Department and Support Services to provide enhanced signage and communications targeted to increase awareness for construction, safety, way-finding, obstructions, and parking alternates. A number of way-finding/detour signs were successfully placed around the South Quad Complex site directing pedestrian traffic safely around construction.
- c) Additional signage should be available at all of the construction sites on the campuses, containing such information as noise and hazard advisory, and clearly visible emergency contact information (including contact name and telephone number for both 411 and the Bond Management Team).
  - ⇒ Management Response: The District concurs with the recommendation and the BMT will work with both the Facilities Department and Support Services to develop informational signage for all construction jobsites.



#### **4. Facilities Programming and Master Plan Approach**

We evaluated the processes used to identify facility needs, programming and coordination to comprehensively address site requirements. Coordination with maintenance, user groups, key stakeholders, and Academic Affairs was considered in this analysis, along with the inclusion of appropriate personnel. The Moss Adams team reviewed site assessments, master plans, and relevant reports. We looked for a business justification and indicators of success for each project, including measurable anticipated benefits and the impact of the project on the District's operational performance. We evaluated the Facilities Master Plan activities for consideration of student needs and future receipt of maintenance funds in assessing the equitable and fair use of Bond Program funds.

##### **Good Practices:**

- a) The Facilities Master Plan provides a means to achieve equity of facilities improvements among departments and programs while giving consideration to available Bond proceeds and construction phasing.
- b) Critical facilities needs (new and renovation) are based upon the facilities planning priorities. Prioritization is driven by need, with health and safety as a top priority, followed by the needs identified in the Educational Master Plan. This is in accordance with the CCCCCO criteria for prioritizing capital outlay projects.
- c) District Administrative Staff and Faculty, student representatives, architects, inspectors, consultants and construction personnel are all included in the facilities planning process.
- d) Flexibility of use is incorporated in the Bond Program at both campuses. For example, lecture space can be used as needed for various curricula, including storage and administration.
- e) A scheduled maintenance plan is in place, using guidelines provided by the Chancellor's office. Scheduled maintenance is established and reviewed on a five-year plan with revisits yearly to realign program needs based on urgency and cost.
- f) Program-wide design and procurement efforts have been used to address lifecycle and maintenance costs through the selection of maintenance-free materials, and reduction in energy costs through energy efficient design.
- g) The District is aware that it cannot complete the entire list of projects with Measure E Bond funds, and that other funding sources will need to be identified to meet the continuing facilities and infrastructure needs of the District Colleges. There is a process in place to continuously forecast the future cost to implement the Facilities Master Plan in its entirety.
- h) Interim facilities and swing space will be used to accommodate overflow during construction and renovation.



- i) The Facilities Planning Committee provides guidance regarding educational facility needs, the Facilities Master Plan, needs for new facilities and renovations to existing facilities, and prioritization of projects.
- j) District Design Standards and Specifications and the Infrastructure Master Plan have been developed by the Bond Management Team with the District Facilities and Maintenance Department, and will be used for District design projects.

### **Improvement Opportunities:**

#### **High Priority —**

- a) Funding of operations and maintenance staff and capital costs, after construction of the expanded facilities are completed, has been identified as a risk to the District. The District should project maintenance costs after Bond Program construction and ensure there is sufficient funding to adequately maintain all facilities, especially those which are new and modernized.
  - ⇒ Management Response: The District concurs with the recommendation and continues to be in contact with the Chancellor's office in an effort to identify funding sources for the maintenance of new and existing facilities.
- b) A facilities condition assessment was conducted at each campus at the start of the Bond Program. This assessment used industry averages to project facilities conditions and needs through 2012. The District should update its existing facilities condition assessment periodically based on walk-throughs and reviews by facilities engineers to ensure that, at a minimum, health, safety and code compliance requirements are met.
  - ⇒ Management Response: The District concurs with the recommendation and will work with the BMT to update the conditions assessment when practicable.

### **5. Procurement Controls and Contract Administration**

We reviewed District procurement controls for consistency, adherence to District Purchasing Policies and application of competitive and fair subcontracting practices. Procurement controls were evaluated for application of competitive and fair subcontracting practices.

#### **Good Practices:**

- a) Purchase Orders contain an account string which specifically identifies the Bond project and a description which provides language that identifies the items or services relating to Bond projects.
- b) Purchase orders which are paid for by both Bond funds and by other funding sources identify, by account string, the amount required per funding source.



- c) The Program Management Plan includes competitive bidding processes for vendors and contractors that address bidder prerequisites and selection criteria. The competitive bidding procedures provide verification of bidder compliance and comparison of bidder qualifications and pricing.
- d) The development of the Program Management Plan incorporated and expanded upon existing District policies and procedures for procurement.
- e) Contracts and contract change orders had been applied to work performed and were written after the job scope was defined, as confirmed in the expenditure testing process.
- f) A schedule of fees and scope of services are included in contracts where this information is a necessary part of payment. This was confirmed during the testing process, with the exception of percentage of completion or lump sum contracts which had only a maximum price and did not have rate schedules.
- g) Standardized contracts with specified District terms and conditions are used and were developed by District legal counsel.
- h) Bulk purchasing programs are being developed for items such as furniture.
- i) A program Owner-Controlled Insurance Program (OCIP) was developed to yield savings based on economies of scale, contractor's markup, and overhead for insurance management.

### **Improvement Opportunities:**

#### **High Priority —**

- a) The District has a certified list of signatures for those authorized to sign orders for payment and contracts. However, the Program Management Plan should contain detailed contract approval procedures, including a limited list of authorized individuals who have signature authority for Bond Program contracts, with not-to-exceed dollar limits.
  - ⇒ Management Response: The District concurs with the recommendation and will work with the BMT to update the PMP.
- b) The District has a “contract documents and contract file checklist” which should be used more consistently to improve complete documentation of the procurement process and to prepare contract files.
  - ⇒ Management Response: The District concurs with the recommendation and will work to improve its file procedures.



### **Medium Priority —**

- a) The Program Management Plan currently requires contractor evaluation at Program completion. District Purchasing procedures covering the evaluation of professional service contracts, vendors, and general contractors should be documented in more detail. The contractor evaluation should be required at contract close-out to ensure that feedback is timely and appropriate.
  - ⇒ Management Response: The District concurs with the recommendation and the BMT will incorporate a formal contractor evaluation as part of the PMP close-out procedures. The findings will be made available for contractor debriefings if requested.

## **6. Contractor Liens, Claims and Other Close-out Issues**

We evaluated the District's policies, procedures and practices to obtain lien releases, prevent claims and address project close-out issues. This review included analysis of checklists, procedures, retention policies, and contract terms and conditions. The performance audit team looked for implementation of procedures to clearly identify the parameters for contractor performance, and compared the District's close-out procedures to good practices. This included review of the criteria for all relevant parties to determine whether a project is complete. The team also evaluated the processes to verify there is full and complete release of contractor liens and other claims prior to final payment.

### **Good Practices:**

- a) Detailed quality assurance, claims and close-out policies and procedures are included in the Program Management Plan.
- b) There is a higher likelihood of user acceptance and facility acceptability because of input from faculty, staff, facilities, students, District administration, and others during the planning, design and construction phases.
- c) A formal close-out procedure is included in the Program Management Plan, which incorporates walk-throughs, systems training, acceptance by end-users, and lessons-learned documentation. The process includes a final inspection acceptance and notice of completion which releases retention monies due and enables final payment.
- d) A formal contract close-out procedure is included in the Program Management Plan which incorporates a contractor performance evaluation form and requires a final contract report.
- e) A formal dispute and claims management process is included in the Program Management Plan, incorporating claims avoidance and the establishment of a Construction Claims Board. The Board includes representatives from District Purchasing, District Facilities, and the Bond Management Team.



- f) End-users are included in the final walk-through and facility acceptance process.
- g) The District includes a notation in the file for construction contracts indicating the Notice of Completion date.

### **Improvement Opportunities:**

#### **High Priority —**

- a) A District facilities close-out checklist should be developed to facilitate user acceptance and close-out.
  - ⇒ Management Response: The District concurs with the recommendation and will work with the BMT to develop a checklist.

#### **Low Priority —**

- a) The District's close-out process for design, engineering and consulting services should be amended in the Program Management Plan to require a notation in the contract file that the contract is closed, all documents have been received, and final payment has been made.
  - ⇒ Management Response: The District concurs with the recommendation and will work with the BMT to amend the PMP.

## **7. Cost, Schedule and Budgetary Management and Reporting**

We reviewed Bond Program reporting to provide current, accurate and complete cost, schedule and budgetary information to Program stakeholders. Based on the interviews and information gathered, analysis was conducted to determine whether or not there is adequate executive oversight and involvement in each of the audited projects. This analysis also covered the cost, schedule and budgetary reporting methodologies.

### **Good Practices:**

- a) The Bond Program provides for executive-level review of project status and expenditures. Various communication methodologies are used each month to manage the Bond Program. These meetings provide for discussion and review of project status, budget reports, change orders and payment application approvals.
- b) The Bond Management Team is using an independent third party (Saylor Consulting) to provide design phase cost estimates and estimate checks, cost benchmarking against regional averages, evaluation of cost escalation issues, lessons learned, and continuous improvement efforts in cost estimating.
- c) Project management software (Expedition) has been implemented.



- d) Project schedules are reviewed, updated, and published on a regular basis, and impacts and deviations are brought to the attention of the District. The “trends” module of Expedition is used for forecasting.
- e) The Program Management Plan includes procedures for the review and acceptance of contractor payment applications. The District and the Bond Management Team reviewed and approved contractor costs for each signed contract, as confirmed in the expenditure testing process.
- f) The Bond Management Team indicates, in a summary format on the Payment Application letter, the distribution of labor between funds.
- g) Payment Applications are reviewed in the field with the architect, inspector of record, program manager, and contractor prior to Payment Application submission at the end of the month. The review of percentage of completion prevents early payments for work not performed, and helps to manage Bond fund cash flow. A checklist is attached to Payment Applications by the Bond Management Team to communicate items reviewed and approved.
- h) The Bond Management Team utilizes Bovis Lend Lease National Accounts for preferred pricing on site expenditures, and also works closely with District Contracts and Purchasing to take advantage of purchasing opportunities and educational discounts when purchasing office equipment, software, phone systems, and Bond Program office trailers.
- i) Constructability review and peer review is used to provide early identification of design issues and to yield cost savings through the avoidance of late detection.
- j) An “Estimate to Complete” forecast is included as part of Bond Management Team internal reporting and project tracking.

### **Improvement Opportunities:**

#### **High Priority —**

- a) State and other funding sources should be carefully managed, and the timeline for funding requests should be clearly defined and communicated. This could be better achieved by adding critical dates to the construction schedule as milestones.
  - ⇒ Management Response: The District concurs with the recommendation and the BMT will add critical and look-ahead milestones into the Bond Master Schedule.
- b) The District or the Bond Management Team should conduct a close-out cost audit of all large contracts prior to release of retention.
  - ⇒ Management Response: The District concurs with the recommendation and the BMT will consult with the Facilities, Contracts and Procurement, and Fiscal Operations Departments to develop a comprehensive close-out cost audit. This will be amended in the PMP.



## **8. Program Staffing**

Through interviews of key operational personnel, review of program work flows, analysis of relevant expenditures, and observation of position and work requirements, we have assessed the assumptions and the basis for Bond Program staffing plans. Bond Program Management needs were compared to staffing required to meet those needs. Our experience with reviewing staffing at other academic capital programs as well as our assessment of factors unique to the District formed the basis of this analysis.

### **Good Practices:**

- a) The Bond Management Team staffing plan and organization chart are frequently reviewed and updated to address District needs and best use of staff skills.
- b) The District uses contractors to address short-term staffing needs.
- c) Internship opportunities for District students provide both additional staff and work experience for students.
- d) The Bond Management Team uses subconsultants and company resources to fill skills gaps and to address short-term staffing needs.
- e) Maintenance and operations staffing requirements have been evaluated, and additional staffing needs have been identified using the increased total square footage as the basis for analysis.

### **Improvement Opportunities:**

#### **High Priority —**

- a) As construction volume increases, District staffing appears to be inadequate to oversee Program Management personnel and to respond to Bond Program needs. The District should continue efforts to identify qualified support for the District Contracting and Procurement Department.
  - ⇒ Management Response: The District concurs with the recommendation and will continue to seek ways to adequately support the needs of the construction program.

#### **Low Priority —**

- a) Procedures should be put into place by the Bond Management Team to ensure that responsibilities are documented and knowledge transfer is properly planned to maintain institutional memory when turnover of key Bond Program personnel occurs.



- ⇒ Management Response: The District concurs with the recommendation and the BMT will develop a formal project transfer procedure. A regular project managers' meeting is currently held to keep all project managers and assistant project managers up to date on all project issues.

## **9. Change Management and Control**

We evaluated District policies, procedures and practices to manage change orders and related costs. Procurement and project controls were evaluated for evidence of change management that help to prevent excessive expenditures.

### **Good Practices:**

- a) The Bond Management Team has defined control processes to identify change order causes and to evaluate change order costs. Change order cost estimates are performed by an independent third party (Saylor Consulting) prior to executing change orders.
- b) Approvals are required for change order processing and adoption. The District, in conjunction with the Bond Management Team, has developed and implemented a formal change management policy which incorporates DSA review requirements as part of the Program Management Plan.
- c) The District, in conjunction with the Bond Management Team, has developed and implemented a formal budget management policy as part of the Program Management Plan.

### **Improvement Opportunities:**

#### **High Priority —**

- a) The Program Management Plan should include change control processes which address amendments to the Facilities Master Plan and their impact on the prior certified EIR. These change control processes should require review by legal counsel and approval by the District prior to adoption of any Facilities Master Plan amendments by the District Board of Trustees.

- ⇒ Management Response: The District concurs with the recommendation. To date, Program changes affecting the completed environmental clearances have been addressed via a formal amendment to the report or, if minor in nature, through an administrative action submitted and approved by the Board of Trustees. We elected to do Program EIRs at each campus due to the ability to comply with the intent of the report even when there are minor changes in a project. We work closely with our environmental consultant to assure we are in compliance with the environmental documents.



- b) The Program Management Plan contains basic change order procedures and signature authority up to 10% of the contract value for both the District Executive Director for Facilities Planning and Development and the District Director for Facilities Planning and Development. However, the PMP states that signature authority for the College Program Manager is yet to be determined. The Bond Management Team should create a limited list of authorized individuals who have signature authority for change orders with not-to-exceed dollar limits.
- ⇒ Management Response: The District concurs with the recommendation and will work with the BMT to amend the PMP.



**APPENDIX A – BOND PROGRAM EXPENDITURE TESTING**

Our performance audit evaluated expenditures between July 1, 2004 and June 30, 2005 totalling \$16,039,089 and found no exceptions with the use of Bond Program funds for approved Measure E purposes. Sixty invoices and/or Payment Applications were selected using a unit dollar sampling method and tested for bond/program compliance.

Below is a summary of Bond Program expenditures and the amount sampled to validate the use of these expenditures for approved Bond Program purposes and compliance with contract terms.

Expenditure Type	Measure E Total Funds		
	Expended	Tested	Percentage Tested
Supplies and Materials	\$ 31,184	-	0.00%
Professional Services	5,360,883	1,782,329	33.25%
Insurance	1,077,531	888,865	82.49%
Utilities and Housekeeping	1,542	-	0.00%
Rents, Leases and Equipment Repair	68,382	-	0.00%
Legal	39,223	7,920	20.19%
Other Services	22,283	942	4.23%
Construction	9,365,337	7,554,146	80.66%
Equipment	72,724		0.00%
<b>Total</b>	<b>\$ 16,039,089</b>	<b>\$ 10,234,202</b>	<b>63.81%</b>

## APPENDIX B – BOND PROGRAM SUMMARY OF PROJECTS

Campus	Planning *			Projects (by Phase)									Projects (by Type)			
	Facilities Master Plan	EIR	Land Acquisition	Deleted / Suspended	Not Started	Programming	Design	DSA	Bid/Award	Construction	Closeout	Complete	Total	New	Modernization	Campuswide / Infrastructure
LAC	NA	Accepted	NA	1	18	1	2	1		3			26	3	22	1
PCC	NA	Accepted	NA	4	6	3	4	1		2	1		21	7	5	9
East Campus (Los Coyotes)	NA	Accepted	Accepted										0			
Districtwide	In Progress	NA	NA						1				1			1
<b>Total</b>				5	24	4	6	2	1	5	1	0	48	10	27	11

**\* College Project Planning**

Accepted - final report/study completed and accepted by the Board of Trustees

In progress - Report/study/land acquisition in process and going through required public hearings, negotiations, reviews and/or approvals.

Not started - report/study/land acquisition identified as a project, has yet to commence

Not applicable - At this time the college is not scheduled to acquire land