

# LONG BEACH COMMUNITY COLLEGE DISTRICT

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CONSTRUCTION BOND MEASURE E  
PERFORMANCE AUDIT REPORT  
*Fiscal Year Ended June 30, 2008*

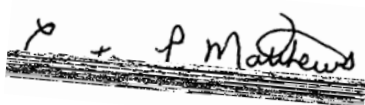
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December 1, 2008

Mr. Eloy Oakley

A handwritten signature in black ink, appearing to read "P. Matthews", is written over a horizontal line. The signature is slanted and includes a small mark at the beginning.

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## EXECUTIVE SUMMARY

The Long Beach Community College District (District) has implemented and continues to improve controls for the use of school construction bond proceeds to comply with Measure E requirements. Total Bond Program fund expenditures were \$36,074,443 from July 1, 2007, through June 30, 2008. Our performance audit tested expenditures for that period totalling \$25,541,537 (70.8%). This testing included 170 sampled transactions. We found no exceptions with the allowable use of Bond Program funds for approved Measure E purposes.

The District's plans for prudent use of Bond Program funds consider both the educational needs of students as well as the need for a safe and secure learning environment. The scope of the Bond Program is currently being defined and communicated to stakeholders through the Facilities Master Plan (FMP). Facilities planning documents, used in developing the Facilities Master Plan, consider classroom space requirements, future growth, and technology needs. A Program

**Summary of Key Good Practices**

- The District resolved all issues from prior year performance audit reports.
- Reconciliation between PeopleSof

**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 original bond was refinanced in 2005, yielding an additional \$5,502,159 in funds available, to total \$181 million for the original Measure E bond. In 2008, a second Measure E bond was approved by voters to provide an additional \$440 million in improvements to Long Beach Community College District facilities, yielding a combined total of \$621.5 million in bond funding for educational facilities construction. 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. This performance audit addresses expenditures related to the \$181 million bond, in effect in 2007.

Below is a summary of total Measure E bond funds, expenditures to date and remaining funds. This summary of Measure E expenditures is based on the District's books and records and is provided for information purposes only. These amounts are subject to and are pending receipt of the Bond Program comprehensive annual financial reports (CAFR) from the District's financial auditor, Vicenti, Lloyd & Stutzman LLP. This expenditure summary reflects audited financial totals provided by management.

Total Measure E Bond Program Funds	\$ 181,000,000
Expenditures to Date:	
July 1, 2002 - June 30, 2003	\$ (1,377,121)
July 1, 2003 - June 30, 2004	\$ (4,495,282)
July 1, 2004 - June 30, 2005	\$ (16,039,089)
July 1, 2005 - June 30, 2006	\$ (23,262,129)
July 1, 2006 - June 30, 2007	\$ (32,084,228)
July 1, 2007 - June 30, 2008	<u>\$ (36,074,443)</u>
Remaining Bond Funds as of July 2008	<u>\$ 67,667,708</u>

In January 2003, the District Board of Trustees approved an award of the contract for program management services to Bovis Lend Lease. In February 2006, a new contract for program management services was issued to Cordoba Corporation (Cordoba, or the Bond Management Team), for the period through June 30, 2007, with three one-year options.

Moss Adams was engaged to evaluate construction program controls and provide the required annual Bond Program performance audits.

**PREVIOUS AUDIT RECOMMENDATIONS FOLLOW-UP**

We interviewed District and BMT personnel to determine the status of resolving open audit issues. Through inquiry and review of documents, we confirmed that all issues identified in past audits have been resolved.

**LBCCD Audit Resolution Status**

<b>Source</b>	<b>Issues Identified</b>	<b>Issues Resolved</b>
Audit 2007	3	3
Audit 2006	8	8
Audit 2005	21	21
Interim Audit 2004	13	13
Audit 2004	66	66
<b>Total</b>	<b><u>111</u></b>	

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Our sample selection included testing of invoices submitted by the BMT, and other invoices and payment applications submitted by vendors, contractors and service providers based on a random selection. A total of 170 expenditures were sampled. All expenditures were agreed to vendor-submitted invoices and/or payment applications, other supporting documentation, Board approved contracts, billing rates approved in the contracts, 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. Additionally, we tested the procedures performed by independent consultants in their reviews of the Labor Compliance Program and the BMT's monthly invoice submission. We found no Measure E compliance exceptions.

**Good Practices:**

- a) The District resolved all issues from prior year performance audit reports.
- b) Reconciliation between the District's PeopleSoft accounting system and the BMT's Expedition project management software was performed monthly, and differences between the two systems were resolved.

**Improvement Opportunities:**



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Properly signed and approved timecards are important to document claimed hours and resulting labor charges to District projects. Additional controls should be implemented to ensure that supporting documentation is provided for all hours claimed on vendor invoices.

⇒ Management Response: The District has hired an Internal Audit Manager to review bond related invoices to ensure compliance. This item is part of the monthly checklist for invoice review.

**Medium Priority**

- c) Of 32 accrual transactions tested, one duplicate accrual was identified. The impact of the duplicated accrual was an overstatement of fund 45 (Bond Fund) expenditures by \$5,763.79. Professional standards, ethics rules and Moss Adams performance audit procedures require the reporting of all testing exceptions. Based on Moss Adams performance audit experience, finding any duplicate accruals is unusual.

The duplicate accrual resulted from charging the expenditure to both funds 41 and 45. This was corrected in the next fiscal year. The District should ensure that the same expenditure is not recorded against both funds 41 and 45.

⇒ Management Response: The District has controls in place to prevent or detect duplicate accruals. This item is an exception and was caught and addressed by District personnel. This does not have a material affect on the District's financial statements.

- d) Of 138 invoices tested, one invoice in the amount of \$4,612.10 was paid based on the presence of a Purchase Order created by the District. The item did not appear to have been reviewed and approved by the BMT. Professional standards, ethics rules and Moss Adams performance audit procedures require the reporting of all testing exceptions. Based on Moss Adams performance audit experience, exceptions of this nature are unusual and should be avoided.

The standard process for expenditure approvals should be followed consistently because it provides an important control for bond fund expenditures. The process is in place to ensure that the Bond Management Team reviews all invoices prior to making payment so that only allowable bond fund expenditures are paid using bond funds.

⇒ Management Response: This item is an exception and out of the ordinary. The District has internal controls in place to ensure that the Bond Management Team records are reconciled with District records monthly. In addition all invoices are signed off and approved by the appropriate District manager who has ultimate responsibility over the Bond Management Team.

**2. Facilities Programming and Master Plan Approach**

- c) Construction impact information was posted on the Bond Program website and e-mailed as “Construction Alerts” to the LBCCD onsite and offsite campus communities to warn them of disruptions.

#### **4. 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 there is adequate executive oversight and involvement in each of the audited projects. This analysis also covered cost, schedule and budgetary reporting methodologies.

##### **Good Practice:**

- a) Incentive funding was received from the California Community Colleges Investor Owned Utilities Rebate Program (CCC-IOU) partnership on energy, and savings realized through design and energy partnership funds.

#### **5. 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 controls to prevent excessive expenditures.

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

- a) Approvals were required for change order processing and adoption.
- b) The District, in conjunction with the BMT, had developed and implemented a formal Budget Management Policy as part of the Program Management Plan.

#### **6. 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 Practice:**

- a) The BMT used sub-consultants and home office resources to fill skills gaps and to address short-term staffing needs.

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**APPENDIX – AUDIT RESOLUTION LOG**

No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response
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No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner
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No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
07.2.a	June 2007 Audit	Facilities Programming and Master Plan Approach	High	DSA is requiring ADA transition plans for buildings which are undergoing renovation. The District has conducted an architectural barrier survey, but does not have an updated transition plan for buildings that are unfunded.	Completion of Americans with Disabilities Act (ADA) transition plans by appropriate designers may avoid delays in DSA.	The District has presented the Facilities Master Plan to DSA. As new funding is received, all projects will be designed to comply with ADA standards.				

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No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
06.5.a	June 2006 Audit	Cost, Schedule and Budgetary Management and Reporting	High	Costs continue to escalate, which is affecting the expenditure forecast.	More detailed real-time reporting and forecasting of expenditures is needed, including cash flow analysis, for better oversight of project and program status.	Expenditure reports are being submitted on a monthly basis.	BMT David Case	Closed	MA	Sep 2007
06.5.b	June 2006 Audit	Cost, Schedule and Budgetary Management and Reporting	High	The Bond Program procedures are designed to govern the contracting process for large projects, and do not provide a mechanism for oversights and immediate needs. As a result, Facilities Maintenance staff & resources, and Safety resources, are being used to fix construction problems.	We recommend that the District investigate the use of alternative contracting methods (such as job order contracting or task orders) for miscellaneous construction work and services.	The two central plants are being built through sale-leaseback, design-bid-build. Small jobs have been split out and are being run through M&O. Have an IDIQ for misc				



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No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
05.A.4	June 2005 Audit	Regulatory Compliance	High	Hazard communication plan and evacuation plans have not yet been updated	The District should continue with efforts to update and publicize the hazard communication plan and evacuation plans.	The Hazard Communication Plan was updated shortly after the initial performance audit and training was conducted in March of 2005. Additional training is being conducted, and will be scheduled annually there after. The building evacuation plans have been reviewed and those in need have been updated. It is anticipated that the plans will be posted in each building by June 2007.	LBCCD	Closed	MA	Sep 2006
05.A.5	June 2005 Audit	Regulatory Compliance	High	Security does not have access to construction sites, and theft of small tools has been occurring	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.	District padlocks have been placed at all construction site enclosures and the Campus Police have been provided the key. The Campus Police have been requested to complete patrol checks of the sites daily on an on going basis.	LBCCD	Closed	MA	Sep 2006
05.A.6	June 2005 Audit	Communication and Fulfillment of Site Expectations	Medium	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.	Lessons learned are discussed in the weekly construction manager's meetings and will be documented in a formal process.	LBCCD / BMT	Closed	MA	Apr 2007
05.A.7	June 2005 Audit	Communication and Fulfillment of Site Expectations	Medium	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.	Temporary construction signage was installed throughout the LAC campus. Similar signs will be posted at PCC in August. Safety and emergency contact signs have been designed and approved by the District and will be posted at each jobsite.	LBCCD / BMT	Closed	MA	Sep 2006

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No.	Source	Category	Priority Rating
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05.A.17	June 2005 Audit	Cost, Schedule and Budgetary Management and Reporting	High	District does not conduct final contract review for large contracts	The District or the Bond Management Team should conduct a close-out cost audit of all large contracts prior to release of retention.	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.	LBCCD Max Ordonez	Closed	MA	Dec 2007
05.A.18	June 2005 Audit	Program Staffing	High	As construction volume increases, District staffing appears to be						

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No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
04.A.5	June 2004 Audit	Facilities Programming and Master Plan Approach	Medium	District policies and procedures should require change control processes to address modifications to the Facilities Master Plan.	LBCCD needs to create a policy for changes to the FMP.					



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No.	Source	Category
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04.A.21	June 2004 Audit	Regulatory								

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No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
04.A.35	June 2004 Audit	Procurement Controls and Contract Administration	High	Procurement records are incomplete	Both BMT and the District need to take greater care in documenting the procurement process.	Procedures are being developed and documented for the bidding and procurement process, and include the use of checklists.	BMT / LBCCD	Closed	MA	Dec 2005
04.A.36	June 2004 Audit	Procurement Controls and Contract Administration	High	Contract files are incomplete	Both BMT and District documentation need to be complete for all contract files	Procedures are being developed and documented for the contract process, and include the use of checklists.	BMT / LBCCD	Closed	MA	Dec 2005

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No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
04.A.41	June 2004 Audit	Change Management and Control	High	Contract change orders are written to define the job scope and set the contract price, after the initial contract is established as a placeholder.	District contracts should be written only after the job scope is well defined	District-issued contracts are now written after the scope is defined, resulting in a				





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No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
04.A.53	June 2004 Audit	Procurement Controls and Contract Administration	Low	Contracts and purchase orders vary, there does not seem to be a standard	The standard contract and procurement forms should be updated.	Contract templates, bid documents and RFP/Q packages were all updated. These forms are continuously modified to reflect regulation changes as well as to incorporate lessons learned.	LBCCD	Closed	MA	Jun 2005
04.A.54	June 2004 Audit	Procurement Controls and Contract Administration	High	Contract closeout methodologies and evaluation are not well defined	District procedures covering the evaluation of professional service contracts should be documented	The District has reorganized and created a Contracts unit within the Risk Services Department, and procedures to evaluate professional services are being developed. Have it for contractors, not yet for vendors.	BMT	Closed	MA	Aug 2008
04.A.55	June 2004 Audit	Procurement Controls and Contract Administration	Medium	Contracts and purchase orders vary, there does not seem to be a standard	The District Support0031 Tard					

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04.A.59	June 2004 Audit	Contractor Liens, Claims and Other Close-out Issues	High	The District has not established a formal user acceptance process	A user acceptance process needs to be developed, incorporating checklists and walk-throughs	A formal closeout procedure is included in the PMP	BMT / LBCCD	Closed	MA	Jun 2005
04.A.60	June 2004 Audit	Contractor Liens, Claims and Other Close-out Issues	Medium	The District has not established a formal dispute and claims management process	A formal dispute and claims management process needs to be developed by the District	A formal close-out procedure is included in Part 3-D Contract Completion/Close-Out Phase of the PMP.	BMT / LBCCD	Closed	MA	Jun 2005
04.A.61	June 2004 Audit	Contractor Liens, Claims and Other 2004								