



Media Contact:
Coby King
MWW Group
213.405.3791 (office)
310.489.3280 (cell)
cking@mww.com

Statement by Daniel LaVista, Chancellor, Los Angeles Community College District, Regarding the Release of an Audit of the LACCD Building Program by State Controller John Chiang

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We are reviewing the audit release today by the office of California State Controller John Chiang. As a preliminary matter, it bears restating that the LACCD Building Program has been the subject of numerous regular and special financial and performance audits over the years. These audits are posted at the Building Program website at <http://www.laccdbuildsgreen.org/about-oversight.php>. While in general these audits have given the Program high marks, Program and District management have always been proactive in making improvements based on the findings of the various audits and reports. Over the course of the Program, dozens of improvements, large and small, have been implemented, tightening controls and ensuring that taxpayers are getting the improved community colleges that they were promised.

Also, we are continuing to work with the independent Review Panel that I appointed in April of this year to review the management of the Building Program. The panel is doing great work, and we expect to get their report within the next two to three months. Once we receive and review that report, we will implement their suggestions as appropriate as soon as possible.

So it will be with the Controller's audit. While we disagree with many of the specifics of the audit and some of the findings, we will examine the audit and make whatever changes are necessary to further tighten and improve management. As noted in the management response that we provided to the controller's office, we agree with some of the recommendations and will implement them expeditiously.

Finally, it bears repeating again that at the nine campuses of the Los Angeles Community College District, this Building Program is well on its way to dramatically improving the community college facilities available to students, faculty, staff, and the communities the colleges serve. In a six billion dollar program, there are bound to be issues, but every one of our nine colleges is benefiting from brand new and renovated academic buildings, sports

Statement by Daniel LaVista, Chancellor, Los Angeles Community College District, Regarding the Release of an Audit of the LACCD Building Program by State Controller John Chiang

Page 2

facilities, arts complexes, administrative buildings, child development centers, and parking structures.

As to the specifics of the audit:

- 1) LACCD strongly disagrees with the audit's assertion that "LACCD used \$42.64 million in Measure J bond funds for projects and activities not on the approved list." The Measure J project description, which appears on pages 40 through 42 of the Audit PDF, clearly encompasses the projects undertaken by LACCD. While the audit acknowledges that the language is comprehensive and allows LACCD considerable discretion in the funding of projects, it continues to illogically maintain that LACCD is not authorized to fund these projects. See pages 1 through 5 of LACCD's management response, which is contained on pages 46 through 50 of the Audit PDF.
- 2) LACCD is disappointed that the audit continues to misconstrue the word "cancelled" in connection with a variety of expenditures. In the vast majority of cases, the projects were not "cancelled" in the sense that they were started and stopped, but the word "cancelled" was used as an accounting method to dealing with certain normal project evolution. This accounts for at least \$19 million of the \$28 million cited in the report.

Further, LACCD strongly disagrees on the audit's conclusion tens of millions of dollars were used for "operating" costs. LACCD has followed the letter of the law that governs what expenses are allowed under the state law that governs bond-funded building programs. LACCD provided legal opinions to that effect to the auditor.

LACCD is also frustrated with the audit's refusal to acknowledge that while the central District office had much responsibility for overall policy and financial controls, the nine individual colleges had and continue to have great independence in terms of planning for and spending of construction funds. While each college had a finite amount of funds to work with, the final program executed by each college depended on the unique and sometimes changing needs of that college, informed by a shared governance process that included building users and faculty. Each college developed a Master Plan and each college followed that plan for its program. The audit is simply wrong regarding the legal or policy need for a centralized district-wide facilities master plan.

See pages 5 through 11 of LACCD's management response, which is contained on pages 52 through 56 of the Audit PDF.

- 3) LACCD disagrees that the process used to select the Inspector General was flawed or that the firm selected was not qualified. While the District agrees with some of the audit's recommendations to better document and put into place control measures in connection with the procurement of special and professional services. However, LACCD

Statement by Daniel LaVista, Chancellor, Los Angeles Community College District, Regarding the Release of an Audit of the LACCD Building Program by State Controller John Chiang

Page 3

disagrees that any further investigation into the selection of the inspector general is necessary. See pages 11 through 20 of LACCD's management response, which is contained on pages 56 through 65 of the Audit PDF.

- 4) As to the audit's allegations regarding the District Citizens Oversight Committee, LACCD acknowledges some procedural deficiencies in the operation of the Committee, but asserts that in general, it has complied with the law governing such committees. See pages 20 through 23 of LACCD's management response, which is contained on pages 65 through 73 of the Audit PDF.
- 5) Finally, as to the audit's "observation" regarding operating costs, LACCD has always agreed that this is an issue that bears close monitoring, and has, in fact, been a prime concern of LACCD. This is why, as the management response explains, a great deal of attention has been devoted to pursuing strategies to reduce operating costs. See pages 23 through 28 of LACCD's management response, which is contained on pages 68 through 73 of the Audit PDF.

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