

Controller *John Chiang*

California State Controller's Office



Los Angeles Community College District Proposition A/AA and Measure J Bond Expenditures Audit

LACCD Audit Summary

SCO Questioned

More Than \$140 Million
In Bond Expenditures Related to
Proposition A/AA and Measure J
Approved by Voters Between 2001 and 2008

LACCD

Spent Bond Funds Outside Voter-Approved Guidelines
Did Not Effectively Plan
Did Not Produce Complete and Timely Records
Ignored its Own procurement Rules
Provided Poor Oversight of Bond Funding
Appears to Build for the Sake of Building

LACCD Audit Finding 1

**LACCD Utilized \$42.6 Million in Measure J
Bond Funds
For Projects and Activities
Not
Included on the Approved Project List**

LACCD Audit Finding 1 Questioned Costs – Cont'd

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Questionable Measure J Expenditures	Campus	Dollar Amount
General Classroom Building	East	\$ 28,469
Campus-wide Retro Commissioning	City	\$ 332,743
Master Planning	Harbor	\$ 381,557
Health and P.E., Fitness Center	Mission	\$ 3,395,720
Family and Consumer Studies Building	Mission	\$ 1,045,875
Child Development Center (CDC) SMART Classrooms	Southwest	\$ 168,143
Swimming Pool Covering	Southwest	\$ 69,947
Public Arts	Valley	\$ 323,535
Public Arts	Valley	\$ 8,832
Public Arts	Valley	\$ 4,876
Science and Math Building	West	\$ 16,184,134
Science and Math Building	West	\$ 2,918,471

LACCD Audit Finding 1 Questioned Costs – Cont'd from Previous Slide

Questionable Measure J Expenditures	Campus	Dollar Amount
New Education Building	Northeast	\$ 3,180,810
Central Plant	Northeast	\$ 350,309
San Fernando Road Street Widening	Northeast	\$ 11,749
Bakery Building (Van de Kamp)	Northeast	\$ 5,157,903
Land Acquisition	Northeast	\$ 8,500
Campus Program Management–Project Management Services	Northeast	\$ 655,117
Campus Program Management–Contingency	Northeast	\$ 538,986
New Learning Resource Center	Harbor	\$ 427,519
Trade Tech South Campus	Trade Tech	\$ 6,172,512
Trade Tech South Campus	Trade Tech	\$ 4,631
Site Improvements–Campus-wide Perimeter Fence	Southwest	\$ 1,014,202
Total - Finding 1		\$ 42,644,356

LACCD Audit Finding 1

\$427,000 in Measure J Funds
Used for Construction of a
New Learning Resource Center
at Harbor College

LACCD Audit Findings

Measure J Funds Were Also
Used for Budget Overruns
of
Projects Approved Under
Proposition A and Proposition AA.

LACCD Audit Finding 1 Examples

LACDD Disregarded Measure J Language and used:

- \$1.045 Million in Measure J funds to Complete the Mission College Culinary Arts Center
- \$3.4 Million to complete the Mission College Health, P.E. and Fitness Center

LACCD Audit Finding 1 Examples

\$19.4 million in Measure J funds was used for a Science and Math building at West Los Angeles College, which was not on the approved project list.

BuildLACCD asserts the Measure J Project List Includes Construction of an Allied Health/P.E., Recreation and Wellness Center and Two Allied Health Classrooms to be Contained Within the Science and Math building. Under this rationale, LACCD Would Have Unlimited discretion to construct any building simply by designating a portion of the building to an activity on the approved project list.

We believe this to be circumvention of the purpose and intent of the requirement for an approved project list.

LACCD Audit Finding 1 Examples

\$9.9 million Used For Completing Portions of
Northeast Satellite Campus (Van de Kamp),

This Campus Was Not Included in the List of
Measure J Projects

LACCD Audit Finding 1 Recommendations

LACCD Agreed With the SCO Recommendations:

1. Adopt policies and procedures to ensure bond proceeds are spent in accordance with the intent of voters as specified in the bond measures.
2. Clearly document, and make available to the public, its rationale or basis for any material deviation from the project list included in the ballot measure approved by the voters.

LACCD Audit Finding 1 District Response

Summary of Finding 1
SCO Comments to District Response

LACCD Audit Finding 2

**LACCD
Did Not Provide Adequate Oversight
On the Spending Practices of the
Colleges**

LACCD Audit Finding 2

LACCD Does Not Have Appropriate Control Measures to Oversee and Monitor the Colleges' Bond Program Spending

LACCD Management Was Only Involved in the Decision to Allocate Bond Funds Amongst the Colleges.

LACCD Audit Finding 2 Questioned Costs

Cancelled Projects

Proposition A	14,181,840
Proposition AA	9,126,551
Measure J	<u>5,009,584</u>
Subtotal	28,317,975

Multi-Campus Unallocated Project Costs by Category

Program Management	22,087,090
Specialty Consulting	9,463,719
Asset Management	<u>7,662,219</u>
Subtotal	39,213,028
Totals	<u>67,531,003</u>

LACCD Audit Finding 2 - Recommendations

LACCD should:

Develop a Facilities Master Plan with associated costs that are documented and available to the public.

Suspend use of any unobligated bond funds until a Master Plan is fully developed and approved.
Establish a process to closely monitor the college campuses' spending practices by using an approved district-wide Facilities Master Plan.

LACCD Audit Finding 2

Summary of Finding 2
SCO Comments to District Response

LACCD Audit Finding 3

LACCD ignored its internal procurement rules and guidelines in the selection of the Inspector General which, at least in appearance, compromised the integrity of the Inspector General to carry out the essential functions of the office

LACCD Audit Finding 3 – Inspector General Issues

LACCD ignored its internal guidelines and procedures resulting in the selected bidder had the lowest score among the four bidders interviewed and the second lowest score among the 11 bidders that were reviewed.

LACCD disregarded qualitative measures and objective standards under the RFP process.

We requested for and reviewed the score sheets provided by the **Contract and Procurement Manager** and found numerous errors and inconsistencies.

LACCD Audit Finding 3 – Inspector General Issues

LACCD apparently ignored the score sheets in determining which of the bidders were to be interviewed. Of the eleven bidders, four of the five bidders with the lowest scores were selected for interview with no documentation or explanation for their selection. LACCD acknowledged and agreed with our analysis however, they couldn't give an explanation on why this occurred.

LACCD Audit Finding 3 – Inspector General Issues

We questioned the Contracts and Purchasing Manager of LACCD, who could not provide the criteria in the selection of bidders to be interviewed or how the four bidders were selected for interviews.

In addition, we question the qualifications of the Inspector General to carry out the essential functions of the office. The Principles and Standards of the Association of Inspectors General (standards) lists the qualifications needed to be an inspector general (IG).

LACCD Audit Finding 3 - Recommendations

The LACCD Board of Trustees and the LACCD Chancellor should:

Adopt control measures to ensure procurement of special and professional services by fully complying with internal rules and guidelines. – District Agreed

Develop documentation requirements for the evaluation and selection of bidders. – District Agreed

Adopt other measures to provide transparency and accountability in procurement of special and professional services as well as for other services. – District Agreed

Request an independent investigation into the process and circumstances that led to the selection of the Inspector General and take appropriate administrative or legal actions. – Given The Controversial Nature of this Issue, This is Imperative to get done!

LACCD Audit Finding 3

Summary of Finding 3
SCO Comments to District Response

LACCD Audit Finding 4

**Oversight by the
Citizens Oversight Committees
Was
Passive, Perfunctory, and Ineffective**

LACCD Audit Finding 4

Under Proposition 39 and the Education Code, the citizens oversight committees have broad authority to review bond expenditures to ensure that funds are properly spent as proposed on the ballot, and that no funds are spent on district or campus salaries or operating expenses.

LACCD Audit Finding 4

None of the Citizen Oversight Committees complied with the Education Code's annual reporting requirement.

For transparency and accountability, Education Code 15280 provides that the COC's must issue reports, at least annually, on the results of its activities, and make the reports available on Internet.

The District concurred with this finding in their response.

LACCD Audit Finding 4

A DCOC meeting of May 15, 2009 illustrates how little discussion and thought was carried out in reviewing proposed expenditures where the DCOC members did not question or deliberate on a proposed expenditure of \$30 Million for Public Art.

LACCD Audit Finding 4 - Recommendations

We recommend that:

1. The Board of Trustees review the College Citizens Oversight Committee and District Citizens Oversight Committee bylaws to ensure compliance with statutory requirements, and verify that the committees are using their authority and responsibility diligently, as well as have appropriate bylaws that allow them this authority and responsibility. In addition, the CCOC should ensure that bond moneys are spent appropriately.
2. The Legislature should adopt legislation to improve accountability and transparency over the use of bond funds by more clearly delineating the role and responsibilities of the citizens' oversight committees and provide the committees greater independence from the colleges' governing bodies.

LACC Finding 4 Recommendation

Summary of Finding 4
SCO Comments to District Response

LACCD Observation

LACCD continues to expand campus facilities without empirical data to demonstrate it has a viable source of revenues to operate the expanded facilities

LACCD Observation

LACCD has indicated that cost savings efforts on new technology and energy efficiencies will compensate for operating costs associated with new buildings. However, LACCD was unable to provide documentation as to the estimated amount of the projected savings or the basis for the projections.

LACCD Observation

With respect to LACCD's continuance of an aggressive building program, we note that the LACCD is in danger of committing millions of additional capital costs to a multitude of projects that may not have sufficient operating revenues to operate.

LACCD Observation Recommendation

LACCD should develop formal policies and procedures for accounting for operating costs, including staffing, for new construction. In addition, they should document projected savings due to energy efficiencies and determine if this is sufficient to cover additional operating costs.

LACCD Observation Recommendation

Summary of Observation
SCO Comments to District Response