

LACCD OFFICE OF THE
INSPECTOR GENERAL

INTEGRITY • TRUST • COMMUNICATION

OIG
RECOMMENDATION
STATUS REPORT
2010-2012

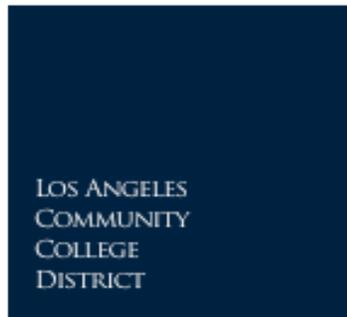


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Executive Summary

The Office of Inspector General (OIG) of the Los Angeles Community College District is reporting to the Board of Trustees the status of all recommendations issued in its audits, reviews, and investigations for the period covering October 2010 through August 2012.

In accordance with the standards and protocols of the *Association of Inspectors General* (AIG), the OIG is responsible for reporting on its specific audit, review, and investigation recommendations in order to ensure the timely implementation of necessary Bond Program improvements and to report progress and results of the OIG effort.

This report includes a comprehensive update of OIG report findings and recommendations, many of which resulted in District actions of policy reform and increased controls in core Bond Program processes.

Noted Bond Program improvements and benefits:

- The OIG rendered thirty-six (36) recommendations of which twenty-eight (28) recommendations have been implemented and eight (8) are in process to be completed by December 2012.
- The Board of Trustees approved several policy reforms or revisions to core Bond Program business processes.
- OIG recommendations and corresponding District actions resulted in a cost savings and recovery of \$1.8 Million dollars for the Bond Program.
- The District strengthened its Design-Build procurement policies and increased formal bidding internal controls to assure integrity and accountability in the selection of construction contractors.
- The OIG review of Bond Counsel's recommendations to reduce or eliminate noncompliant services, tasks, or positions increased the Bond Program's compliance to Proposition 39 requirements.
- The District and the Board of Trustees initiated measures to debar a District contractor and review the performance of the managing College Project Manager "CPM" firm based upon evidence of False Claims and other violations. The District's actions increased the level of accountability for contractors and construction management firms providing services to the Bond Program.

The Office of the Inspector General remains committed to maintaining the highest possible standards of professionalism and quality in its audits, reviews, and investigations, and will continue tracking and updating the Board on the status of its recommendations and implementation of improvement actions in the Bond Program.

OIG Recommendations Status & Benefits

The following information summarizes the OIG audits, reviews, and investigations' recommendations, the actions of the Board of Trustees and the District, and the status or direct benefit and improvement received by the Bond Program.

The OIG rendered thirty-six (36) recommendations of which twenty-eight (28) recommendations have been implemented and eight (8) are in process to be completed by December 2012.

Audits and Reviews

No.	OIG Recommendation	District / Board Action	Improvement and Benefit
OIG-001A - Van de Kamp Innovation Project Financial Review			
The Office of the Inspector General performed a review of the Van de Kamp Innovation Project in order to identify all fund sources allocated to the project and total expenditures incurred. The OIG found that as of February 2011, the District expended \$86,493,481, which exceeded the approved allocation of bond funds of \$81,547,406 by \$4,946,075.			
1	Reconcile Van de Kamp (VDK) project expenditures and implement a quarterly cost reconciliation to ensure projects stay within approved budgets.	The Board directs staff to reconcile VDK costs between CFO and BuildLACCD systems.	Improvement: CFO and BuildLACCD reconcile project costs in Program Management Financial System (May 2011-Nov 2011). Benefit: Increased fiscal accountability at the project level; reduces overspending approved budgets.
2	Modify public Dashboard reports to allow for better public and staff understanding of the total project costs.	Board directs Facilities Executive Director and BuildLACCD to modify Dashboard reports.	Improvement: Public Dashboard Reports are updated on BuildLACCD website (Oct 2011). Benefit: Increased transparency in reporting program information to the public.
3	LACCD should direct a review of the Van de Kamp project Labor Compliance and OCIP reported contractor labor hours in order to reconcile unreported hours found by the OIG during this review; and report results to the OIG.	BuildLACCD and Risk Manager review and close out OCIP I Program, which included VDK (June 2011); Based upon the closeout BuildLACCD found no additional costs to the OICP program due to unreported hours.	Improvement: OCIP I Program (including VDK) is closed out with no additional costs incurred due to unreported hours. Benefit: Reduced unforeseen OCIP Program cost expenditures.
4	Update the Bond Cost Principles to ensure a higher degree of bond program expenditure compliance.	Board directs and approves revisions to the Cost Principles.	Improvement: Cost Principles are revised to strengthen compliance to Prop 39 requirements. BuildLACCD implemented PM/CPM staff training of the Cost Principles as part of the continued Compliance monitoring process. Benefit: Increased compliance to Prop 39 requirements.

No.	OIG Recommendation	District / Board Action	Improvement and Benefit
OIG-002 - Fulbright & Jaworski Review			
The objective of this review was to determine if recommendations from Bond Counsel Fulbright & Jaworski, LLP were implemented and verify if the identified Bond Program non-compliant expenditures and positions had been reduced and/or eliminated. Although some recommendations had been implemented, the OIG found instances of Prop 39 non-compliant positions and programs that had not been reduced or eliminated.			
1	The District should objectively evaluate the level of administrative and management overhead and costs being incurred for non-intern staffing under the PVJOBS contract and determine value added for the Bond Program.	BuildLACCD management reviews PV Jobs contract amount and scopes of work.	<p>Improvement: Upon expiration of the PV Jobs contract, the Board approved separate contracts for both e7 and the intern outreach programs with scopes of work <i>compliant</i> with Prop 39.</p> <p>Benefit: <i>Increased compliance to Prop 39 requirements.</i></p>
2	The District should review and reconcile differences of food services and entertainment costs; between Bond Counsel and the Cost Principles; and develop a clear and concise food policy for the Bond Program; and prepare and present mandatory training to all bond funded staff.	The District reconciles differences in the food policy and proposes policy revisions to ensure Prop 39 compliance for all food and entertainment expenses. <i>Board approves revised Cost Principles (February 2012).</i>	<p>Improvement: Cost Principles are revised to strengthen compliance to Prop 39 requirements and PM and CPM food related reimbursable expenses are re-aligned. PM/CPM implement staff training of the Cost Principles.</p> <p>Benefit: <i>\$300,000 cost savings to Bond Program due to a 2% annual reduction of PM and CPM food reimbursed expenses.</i></p>
3	Based on the OIG's determination that the videos produced by the PVJOBS Sustainability Media Studio (SMS) program provide insufficient added value to the Bond Construction Program, the District should discontinue use of bond funds for this program.	The District commences a review of the current videos as submitted by SMS and determines that the videos are not reasonable costs to the Bond Program; and directs termination of SMS contract task order.	<p>Improvement: The District terminates SMS Studios Task order.</p> <p>Benefit: <i>\$1.5 Million cost savings to the Bond Program.</i></p>
4	The District should develop a clear, concise policy defining what constitutes "tenant improvements" and therefore is not eligible to be funded with bond proceeds.	The District develops a clear, concise policy defining what constitutes "tenant improvements" and updates the Cost Principles. <i>Board approves revised Cost Principles (February 2012).</i>	<p>Improvement: Cost Principles are revised to strengthen the Bond Program compliance to Prop 39 for tenant improvements.</p> <p>Benefit: <i>Increased compliance to Prop 39 requirements.</i></p>
5	The District should develop a clear, concise policy prohibiting the use of staff resources for "lobbying" or "soliciting contributions" during work hours; and direct the Program Manager to prepare and present mandatory training to all bond funded staff.	General Counsel develops a policy prohibiting the use of staff resources for "lobbying" or "soliciting contributions" during work hours. BuildLACCD expands its current training program to include the new policy. <i>Board approves revised Cost Principles (February 2012).</i>	<p>Improvement: Cost Principles are revised to strengthen compliance to Prop 39 requirements for "lobbying" or "soliciting contributions"; BuildLACCD implements PM/CPM expanded staff training of the Cost Principles.</p> <p>Benefit: <i>Increased compliance to Prop 39 requirements.</i></p>

No.	OIG Recommendation	District / Board Action	Improvement and Benefit
6	The OIG recommends that the Cost Principles be reviewed by District Management and Bond Counsel and updated to include quantifiable measures, as appropriate.	General Counsel and outside Bond Counsel prepare an update to the Cost Principles and developed a timetable for the annual review/revisions of the Cost Principles.	<p>Improvement: The District commits to an annual review and update of the Cost Principles. BuildLACCD expands its current training program to include any Cost Principle revisions and new requirements.</p> <p>Benefit: Long-term due diligence by the District increases compliance with Prop 39 requirements.</p>
<p>OIG-003 - Selection of Construction Contractors Audit</p> <p>The OIG examined the Bond Program's process for the selection of contractors for Design-Bid-Build and Design-Build procurements to review compliance to LACCD policies and procedures and statutory requirements. The OIG found only one instance of noncompliance to policies and procedures and internal control deficiencies.</p>			
1	Develop and implement controls to prohibit Design-Build Selection Committee members from revising their scores once a Design-Build contractor is identified during the scoring session.	Board directs changes to the Bond Program Design-Build policy to prohibit Design-Build Selection Committee members from revising their scores once a Design-Build contractor is identified during the scoring session.	<p>Improvement: Design-Build Contractor Selection Policy revised and Design-Build Procedures are updated. (<i>Touchpoint Handbook - Revised December 2011</i>).</p> <p>Benefit: Increased internal controls in Design-Build procurement process.</p>
2	The OIG recommends the District require self-reporting of potential conflicts of interest through the completion of <i>Conflict of Interest/Confidentiality Disclosure Forms</i> to be signed by all Selection Committee members prior to scoring.	<p>Board directs Chancellor/ General Counsel to submit an Execution Plan for Conflict of Interest Management (<i>November 2011</i>).</p> <p>Chancellor Directive issued to implement <i>Conflict of Interest Disclosure/Confidentiality Form</i> for use in all procurements (<i>April 2012</i>).</p>	<p>Improvement: Chancellor's Directive on Conflict of Interest (COI) Management is implemented for all Bond program procurements.</p> <p>BuildLACCD revised Touchpoint Handbook to include <i>Conflict of Interest Disclosure/Confidentiality Form</i> and related process improvement requirements for all future procurements.</p> <p>Benefit: Increased internal controls in Design-Build procurement process.</p>
3	The District develop or update, and implement procedures with adequate internal controls to ensure that the Design-Build contractor selection process is administered consistently to assure continued compliance with laws and regulations. The Program Manager should ensure specific controls should be added to ensure the proper recording of bids—date and time stamped to indicate the timely receipt of the bid packages.	BuildLACCD increases the specificity of the Design-Build procurement procedures and associated documents; including controls to ensure that bid package submittals are properly recorded.	<p>Improvement: Design-Build Contractor Selection Procedures revisions (<i>Touchpoint Handbook - Revised December 2011</i>).</p> <p>Benefit: Increased internal controls in Design-Build procurement process.</p>
4	The OIG recommends that all project documents be scanned and uploaded to the online archival/document retention system, DocView, within 60 days from contract award.	Board directs changes to Design-Build archiving procedures; procurement documents shall be archived within 60 days from contract award.	<p>Improvement: Design-Build Contractor Selection Procedures revisions (<i>Touchpoint Handbook - Revised March 2012</i>).</p> <p>Benefit: Increased internal controls in Design-Build procurement process.</p>

No.	OIG Recommendation	District / Board Action	Improvement and Benefit
OIG-004 - Selection of Professional Services Consultants Audit			
<p>The OIG examined the Bond Program’s selection process for Professional Service Consultants for architectural, landscape architectural, engineering, environmental, land surveying, and whole building commissioning services. The OIG found that the nine (9) CPM firms adhered to outdated Program Management Procedures (“PMP”) that are not integrated with current practices; and that requirements for a competitive procurement process were unclear and inconsistently followed by the CPMs. The OIG additionally found internal control deficiencies.</p>			
1	<p>The District should establish a Bond Program policy for the selection of professional services consultants; and direct the PM to enhance its written policies and procedures for the selection process for professional service consultants.</p>	<p>The District directs the PM’s professional services group to further develop existing Professional Services processes and standardize for all (9) CPM firms.</p>	<p>Improvement: BuildLACCD is currently revising the Professional Services Selection Procedures (<i>Touchpoint Handbook - Scheduled release date October 2012</i>).</p> <p>Benefit: Increased internal controls for professional services contract procurement.</p>
2	<p>The District require PM and CPMs to provide detailed information (i.e., listing minimum three firms submitting fees proposals and briefly describe the justification of the selected consultant) of the proposed project in the Proposed Board Action (PBA) report.</p>	<p>The District instructs BuildLACCD to modify all Proposed Board Actions (PBAs) to include the justification to support the selection of the awarded professional services consultant.</p>	<p>Improvement: BuildLACCD is currently revising the Professional Services Selection Procedures (<i>Touchpoint Handbook - Scheduled Revised release date October 2012</i>).</p> <p>Benefit: Increased transparency in Board review and approval of professional services contracts.</p>
3	<p>All Selection Committee members, proposal evaluators, and interviewers be trained under a set of clearly established administrative procedures that serves as the standard guideline in proposal evaluation, bid scoring, and bid result communication to the proposers.</p>	<p>The District directs BuildLACCD to develop procedures and training (for procurement Selection Committee members) to ensure the standardization and the quality of the procurement process.</p>	<p>Improvement: BuildLACCD is currently revising the Professional Services Selection Procedures (<i>Touchpoint Handbook - Scheduled Revised release date October 2012</i>).</p> <p>Benefit: Standardization of professional services procurement process increases accountability of Selection Committee members and increases quality of the process.</p>
4	<p>The OIG recommends the District develop, or update, and implement contract procurement procedures to ensure adequate internal and quality controls for professional services contracting.</p>	<p>The District instructs the PM to eliminate the terminology of a “prequalified list” for Professional Services Consultant services as currently posted on the BuildLACCD.org website (except for Design-Build pre-qualification lists, which undergo a separate pre-qual process). The new process requires that consultants demonstrate their qualifications through an RFQ/RFP process.</p>	<p>Improvement: BuildLACCD is currently revising the Professional Services Selection Procedures (<i>Touchpoint Handbook - Scheduled Revised release date October 2012</i>).</p> <p>Benefit: Added controls in the prequalification process increases the quality of professional service consultants providing services to the Bond Program.</p>

No.	OIG Recommendation	District / Board Action	Improvement and Benefit
5	The OIG recommends that all project documents be scanned and uploaded to the online archival/document retention system, DocView, within 60 days from contract award.	The District instructs the PM to mandate a 60-day archiving requirement to improve retention of procurement documents.	<p>Improvement: BuildLACCD archiving policy previously revised per OIG recommendations (<i>Touchpoint Handbook March 2012</i>).</p> <p>Benefit: Increased internal controls in document retention and retrieval.</p>
<p>OIG-005 - Bond Fund Management Audit</p> <p>The OIG objective of this audit was to determine whether the Program Management (PM) and Campus Project Management (CPM) firms have provided oversight to ensure that Bond Program reimbursable expenses are reasonable and allowable under Proposition 39. For compliance of reimbursables allowed by Proposition 39, the OIG noted no exceptions. In its review of allowable reimbursables expenses per the CPM firm contracts, the OIG found items totaling \$12,799 purchased by various CPM firms that were not allowable.</p>			
1	District directs the PM to enhance its current procedures to include specific written procedures for reimbursable expenses that include controls to enforce the Cost Principles.	The District instructs BuildLACCD to enhance the current procedures regarding reimbursable invoice payments and provide annual training on invoice submittal for the CPM firms.	<p>Improvement: BuildLACCD develops a checklist for all the firms to highlight some of the areas of concern related specifically to the language applying to allowable reimbursable costs (<i>September 2012</i>).</p> <p>Benefit: Increased compliance to Prop 39.</p>
2	The District should review the contract "Reimbursable Expenses" list included in the existing PM and CPM contracts and consider amending the contracts at some point to remove items that are not allowable per the proposed revisions to the Cost Principles.	<p>The District agrees that there should be a review of the listed contractual reimbursable items in light of the revised Cost Principles.</p> <p>The District is currently reviewing reimbursable items in PM contract for upcoming Program Management contract procurement (<i>Dec 2012</i>).</p>	<p>Improvement: The District's future contracts for PM and CPM services shall include only Prop 39 compliant allowable expenses.</p> <p>Benefit: Increased Proposition 39 compliance</p>
<p>OIG-007 - Bond Program Risk Assessment</p> <p>The OIG has performed a Fraud Risk Assessment of the Bond Program as included in its 2010-2011 Annual Work Plan. The survey identified two (2) High Risks, related to construction change orders, and thirteen (13) Moderate-High Risks including contract invoice processing, inspection of work, receipt of poor quality work, and unreported conflicts of interest.</p>			
1	The OIG recommends conducting an audit, review or evaluation of the design effectiveness of the existing controls over the High and Moderate Risk Areas identified in the Fraud Risk Assessment and provide feedback of any control deficiencies; and the extent of such deficiencies, if any are identified.	OIG conducts Change Order Audit (Completion August 2012) in response to Risk Assessment identification of High Risks. District participates in audit and responds to findings/ deficiencies.	<p>Improvement: <i>OIG Change Order Audit Report outlines Change Order procedure improvements and long term benefits (October 2012 Release date).</i></p>
2	The OIG recommends additionally conducting a control analysis as part of an audit, review or evaluation to identify any existing design gaps within the internal control framework of the Bond Program.	<i>Control Analysis is pending approval of OIG Annual Work Plan 2012-2013.</i>	

Investigations

No.	OIG Recommendation	District / Board Action	Improvement or Benefit
INV-004 - Clark Strategic Partners Investigation			
The OIG completed an investigation of several allegations of improprieties by Woodrow Clark, doing business as Clark Strategic Partners/Clark Communications. The majorities of the allegations appeared to be highly speculative and were not substantiated by the OIG.			
1	OIG recommends that the District recover cost associated with duplicate invoice payment of \$5,500 and a Mac Book purchased with Bond funds.	The District pursued action to recover funds and equipment.	Benefit: <i>The District recovered \$5,500 and District equipment.</i>
INV-005 Pierce College Disposal of Assets (Copier)			
The OIG investigation found that two Xerox copiers leased with Bond funds were mistakenly sold in the campus surplus assets public auction and Campus representatives were unable to get the new owner to void the sale. The OIG could not determine if the disposal of the copiers was intentional or accidental.			
1	The OIG recommends that internal controls in asset tracking be strengthened and the reported new procedures be communicated to the responsible parties at all campuses.	BuildLACCD staff implemented new procedures and corrective actions in the tracking and management of surplus assets.	Improvement: BuildLACCD implements stricter controls (<i>May 2011</i>); VP of Administration signature approval required for all surplus asset sales. Benefit: <i>Increase internal controls shall reduce loss of property and funds.</i>
INV-006 - GST Master Procurement Agreements			
The OIG investigated Whistleblower allegations regarding software that was purchased through a Master Procurement Agreement at 79% more than LACCD could procure the item if purchased directly from the manufacturer, representing a \$13,000 markup.			
1	The OIG recommends the performance of a review or audit of the Master Agreements related to the District's Bond Program	<i>OIG review of the Master Procurement Agreements is pending approval of the OIG's Annual Work Plan.</i>	
INV-007- Possible Government Code 1090 Violations			
The OIG investigated possible violations of Government Code Section 1090 perpetrated by Nick Quintanilla and other College Project Manager staff at Mission College. The alleged violations relate to financial conflicts of interest and the use of subcontractors at Mission College. The OIG found evidence to support Section 1090 violations in the performance of duties by the CPM at Mission College.			
1	OIG recommends that the District refer this report and evidence to the Los Angeles District Attorney or appropriate law enforcement agency for further investigation.	Board approves referral of OIG report and evidence to the LA District Attorney for further investigation.	<i>OIG is currently working with the District Attorney's office; D.A. investigation is ongoing.</i>

No.	OIG Recommendation	District / Board Action	Improvement or Benefit
INV-009 - Alleged Coercion on Selection of the WLAC Watson/TLC Design Build Contractor			
<p>The OIG investigated Whistleblower allegations of coercion and other irregularities that occurred during the scoring session of the Watson/Teacher Learning Center (TLC) Design-Build project at the West Los Angeles College (WLAC). The OIG found the selection of FTR International (FTR) was primarily the result of revised scores from the non-college representatives, and that there may have been a strong, underlying motive for the non-college representatives to revise their scores. The OIG could not identify any incontrovertible evidence of motive, relationship, or collusion between any of the specific parties involved in the selection of the winning Design-Build team.</p>			
1	<p>The OIG requires all Step 2 and Step 3 selection committee members to sign a <i>Conflict of Interest Disclosure/Confidentiality Form</i> prior to the scoring process, to disclose any financial or other conflicts of interests and certify to maintain the confidentiality of any materials and/or information reviewed during the selection process.</p>	<p>Chancellor Directive issued to implement Conflict of Interest Disclosure/ Confidentiality Form for use in all procurements (April 2012).</p>	<p>Improvement: All Bond Program procurements currently include the requirement for selection committee members to complete the <i>Conflict of Interest Disclosure/Confidentiality Form</i>.</p> <p>Benefit: Increased accountability and transparency in Design-Build procurement process.</p>
2	<p>The OIG recommends the elimination of the “rescoring” practice that allows selection committee members to “revise” their score sheets once a design build contractor is identified during the scoring session.</p>	<p>Board directs changes to the Bond Program Design-Build policy.</p>	<p>Improvement: Design-Build Contractor Selection Policy revision and update to Design-Build Procedures (<i>Touchpoint Handbook - Revised December 2011</i>).</p> <p>Benefit: Increased accountability and transparency in Design-Build procurement process.</p>
3	<p>Revise the current Design-Build process, policies, and procedures, specifically as listed below; and communicate revisions to all BuildLACCD, College, and CPM staff; and take necessary actions to ensure compliance.</p>	<p>BuildLACCD increases the specificity of the Design-Build procurement procedures.</p>	<p>Improvement: Design-Build Contractor Selection Procedures revisions (<i>Touchpoint Handbook - Revised December 2011</i>).</p> <p>Benefit: Increased accountability and transparency in Design-Build procurement process.</p>
INV-010 - Alleged Coercion on Selection of LAMC Design-Build Contractor			
<p>The OIG investigated Whistleblower allegations of potential coercion and other irregularities in the scoring and selection of FTR International (FTR) as the Design-Build contractor for the Student Services Center project at Los Angeles Mission College (LAMC). The investigation disclosed the selection of the FTR/NBBJ team most likely resulted from the influence of, and opinions expressed by, the VP of Administration and LAMC Facilities Director or members of their staff or persons supporting their operations or projects during the period between initial scoring tabulation and “rescoring.”</p>			
	<p><i>OIG recommendations same as INV-009 report; Refer to INV-009 above for status of OIG recommendations</i></p>		

No.	OIG Recommendation	District / Board Action	Improvement or Benefit
INV-011: Award of Waterline Relocation Work to FTR			
The OIG investigated false claims allegations and verified that FTR invoiced and certified as being 90-percent complete. The change order work to relocate the on-site DWP waterline and was paid \$1,232,630.93 for the work that was not completed at the time of the payment. The actual waterline relocation was not completed until 2010.			
1	The OIG recommends initiating proceedings to review the California False Claims Act violation, and take appropriate actions regarding FTR and GSE.	The District initiated public hearing proceedings in January 2012; and recommended and approved a 5-year debarment of FTR.	<p>Improvement: The District recommended and approved a 5-year debarment of FTR; and GSE settlement agreement that includes performance improvement measures and 1-year oversight by a District approved Project Executive.</p> <p>Benefit: <i>Increased accountability for contactors and construction management firms providing services to the Bond Program.</i></p>
2	The OIG recommends the District establish or enforce a policy that ensures no change orders are issued for work not located within the project limits.	<i>District currently reviewing OIG Draft Change Order Audit findings; actions pending.</i>	
INV-019: Allegations of Solicitation by Safety Program Managers			
The OIG investigated Whistleblower reports that alleged Bond Program safety consultants were soliciting contractor and subcontractor employees during work hours to sell training services for their own personal financial gain. The OIG obtained witness testimonies and signed witness declarations corroborating the occurrences of solicitation and coercion.			
1	The OIG recommends the District take the appropriate personnel actions to avoid any further improprieties.	The District actions included termination of Safety Manager consultants.	Benefit: <i>Increased accountability and integrity in the Bond Program.</i>