

Office of the INSPECTOR GENERAL



VAN DE KAMP INNOVATION CENTER PROJECT EXPENDITURE REVIEW OIG-001-A

APRIL 29, 2011

Table of Contents

1. Executive Summary	1
2. Background	2
3. Objective and Approach.....	4
4. Project Funding	5
4.1 Property Purchase	5
4.2 Project Fund Sources	6
4.3 Project Scope and Budget	7
5. Review of Expenditures	9
5.1 Project Management Expenditure Reporting.....	9
5.1.1 <u>Dashboard Report.....</u>	<u>10</u>
5.1.2 <u>CPM Van de Kamp Innovation Center Monthly Progress Report.....</u>	<u>10</u>
5.1.3 <u>Van de Kamp Innovation Campus Report (College Summary).....</u>	<u>10</u>
5.2 OIG’s Determination of Total Project Expenditures.....	12
5.2.1 <u>Property Purchase</u>	<u>14</u>
5.2.2 <u>Design Fees.....</u>	<u>15</u>
5.2.3 <u>OCIP (Owner Controlled Insurance Program).....</u>	<u>16</u>
6. Exhibits	17
A List of Persons Interviewed by the OIG	18



Definitions and Terms

This section contains definitions that are used throughout this report, including appropriate abbreviations.

Board	LACCD Board of Trustees
BuildLACCD	Current Bond Program Managers (since April 2007) comprised of URS and other contract professionals, responsible for overseeing and administering the LACCD bond program.
CEQA	California Environmental Quality Act
CFO	Office of the Chief Financial Officer
Change Orders (Construction)	Changes in the construction contract amount or time due to changes in the Work.
Committed (Funds)	Funds obligated by contract that are unspent or unpaid
COPs	Certificates of Participation
CPM	Campus Project Manager
Dashboard Reports	Bond program reports that are directly accessible to the public from the BuildLACCD website; the reports include information on project construction budgets for both projects and campuses.
DDA	Disposition and Development Agreement
District	Los Angeles Community College District
DMJM/JGM	Consultant firm providing Bond Program Management services from 2001-2007.
DSA	Division of the State Architect is the state governing authority responsible for the review and approval of any facility design and construction adherence to the Field Act.
Expenditure	Payments made for services or equipment received; or work completed.
FF&E	Furniture, Fixtures and Equipment



Hard Costs	<u>Hard Costs</u> are mainly labor, materials and equipment costs that are incurred to put actual construction in place; the direct cost of construction; additional costs include land, relocation, inspection, testing, abatement, FF&E, and OCIP.
LACCD Facilities	LACCD Facilities Planning and Development Department
LA City College	Los Angeles City College
LACCD	Los Angeles Community College District
OIG	Office of the Inspector General
Notice to Proceed	A notice issued by the District to the construction contractor establishing the date of Contract Time commencement, and the date contractor is authorized to commence performance of construction and other obligations with the Contract Documents.
OCIP	Owner Controlled Insurance Program
Program Costs	Costs incurred for program management (BuildLACCD) services or functions such as bond program cost controls, reporting, contract procurement, and other central services including auditing, legal, OCIP, move management, etc.
Project Costs	Costs incurred and that directly benefit a project including project management (CPM) costs, design, land acquisition, construction and related costs.
Soft Costs	Soft Costs are indirect costs of construction which include design and engineering, program, and project management, legal, audit, financing, pre-construction, interest, insurance, etc.
Substantial Completion	The stage in the progress of the Work when all of the requirements of the Contract are substantially performed and completed so the District can have use or occupy beneficial use and occupancy of the Work as intended under the Contract, subject only to remaining minor and trivial defective Work, if any.



1. Executive Summary

The Office of the Inspector General has 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 the following:

- The Van de Kamp Project utilizes bond funds from Proposition A, AA, and Measure J, and “non-bond” funds from the State of California, Federal Economic Development Administration (EDA), Certificates of Participation (“COPs”) and Los Angeles City College (“LA City College”) general funds.
- As of February 2011, the current funds allocated to the Van de Kamp Project from all fund sources, are approximately **\$81,547,406**.
- The total documented expenditures, i.e., payments issued, are **\$86,493,481**.
- Project expenditures exceed the total allocation of project funding by **\$4,946,075**.
- The project currently has commitments for unbilled or unpaid services, including furniture and equipment as well as disputed construction change orders for work completed, of approximately \$3,872,211; hence, the District may expend at least **\$90,365,692** at the completion of the project.

The OIG has found that the “differences” between the \$86,493,481 of total project expenditures identified in this review and the total amounts being reported for the project by BuildLACCD are the result of project transactions not being recorded or reported in a single financial system.

Early project costs and property expenditures were paid and tracked by LA City College and the Office of the Chief Financial Officer (“CFO”) and a lack of reconciliation or consolidation of all project costs into the current program management financial system attributed to project expenditures exceeding allocated project funds.



2. Background

The Los Angeles Community College District is currently completing its Van de Kamp Innovation Center Project. Part of this project included the preservation, restoration and adaptive reuse of the Van de Kamp Holland Dutch Bakery Building, a Los Angeles historical-cultural landmark. The restored facility now accommodates state-of-the-art classrooms and administrative functions to support various educational courses and worker training services offered by LACCD and other agencies.

The Bakery Building was originally constructed in 1931 as a headquarters and bakery for the Van de Kamp chain of bakeries. It was no longer utilized and was vacant by 1990. In 1999, a proposal to rezone the property to allow development of a 131,000 square foot retail facility for the Homebase warehouse chain and a Burger King restaurant was initiated. The rezoning process required preparing an Environmental Impact Report (EIR) with a 30-day public review and comment period. Additionally, written comments from private organizations and individuals overwhelmingly opposed the proposed project. The proposal was rejected by the City of Los Angeles.

In early 2001, former State Senator Richard Polanco's support helped the District to obtain \$3 million in state funds as "seed" money for acquiring and developing the site as a community college satellite campus.

In July of 2002, LACCD retained the firm of Roschen Van Cleve to prepare plans for the restoration and adaptive reuse of the Bakery Building and two other firms, Stephen Ehrlich & Associates and ARUP, to design the New Education Building and Central Plant with an expected occupancy date of 2005.

The subsequent design effort encountered numerous challenges and changes between 2002 and 2007. The planned uses for the site were updated and revised several times to meet the construction budget. The Bakery Building structural components required significant and frequent design revisions to comply with Field Act requirements and the study and incorporation of various energy conservation technologies into the project impacted both cost and schedule.

In late 2007, the DSA approved plans for all the facilities. Bids were solicited for construction. USS Cal Builders was selected for the construction and renovation of the facilities. In December of 2007, the Notice to Proceed was issued with completion of construction scheduled for May of 2009. Also in December of 2007, the District terminated (for convenience) the construction administration portion of the three original design firms' contracts and retained another design firm, Quattro Design, for the construction administration phase of the project.

Between 2002 and 2008, LA City College proceeded with development of an educational curriculum to be offered at the Van de Kamp campus. LA City College conducted various studies to help identify courses and degrees to be offered; evaluated market demand and financial feasibility for operating the campus; and identified "contracting" opportunities for other educational institutions to provide on-site courses. In mid-2008, while budgeting for the 2008-2009 school year, LA City College's Administration and Shared Governance



Committee (Council) determined no funds were available to operate the proposed Van de Kamp campus or offer the courses proposed. LACCD began seeking alternative ways to fund campus operations and/or identify other potential uses for the facilities that could provide educational and training services to the adjacent communities.

In April of 2009, LACCD started presenting to neighborhood organizations potential uses being considered for the site and facilities. These included leasing the New Education Building to a private charter school; shared occupancy and use of the Bakery Building with LA City College, and other LACCD campus programs; and other public agencies providing job training and placement programs.

In July of 2009, the LACCD Board of Trustees voted to transfer management of the Van de Kamp site and facilities from LA City College to LACCD. Immediately following this transfer, a lease was executed with the Alliance for College Ready Public Schools for the newly constructed New Education Building. In June of 2010, a lease was executed for portions of the restored Bakery Building with the City of Los Angeles to provide space for various job training and placement programs sponsored by the City and other public, non-profit entities.



3. Objective and Approach

In November of 2010, the Office of the Inspector General began reviewing the expenditure of bond dollars for the Van de Kamp Innovation Center.

In order to determine the total of bond fund expenditures, the review objectives are defined specifically as follows:

- To determine all sources of funding allocated to the project including bond dollars from Proposition A, AA, and Measure J bonds;
- To determine the total expenditures incurred by project;

This report offers a comprehensive review that identifies all costs and expenditures that have been incurred. The recorded transactions were reviewed and categorized in order to determine and quantify the total amount of bond funds expended.



4. Project Funding

As part of reviewing expenditures at the Van de Kamp site, all approved sources of funding and budget were indentified. This task has proven to be a challenge due to the nine-year span of the project beginning in 2001, as well as several transitions in project management and oversight. Project Management started with LA City College, Program Manager (DMJM/JGM) and Campus Project Managers, Tishman, Bovis Lend Lease, and Harris & Associates. Operations and oversight were turned over in 2009 to LACCD Facilities and BuildLACCD/URS.

As a result, identification of transactional information regarding project funding and approvals and expenditures does not reside in one accounting or tracking system. This review has required an extensive search for documentation from Board reports; archived project documentation; BuildLACCD financial systems; District accounting records; and interviews with key stakeholders.

The information presented attempts to recreate a historical accounting of approved sources of funding for this project.

4.1 Property Purchase

On March 15, 2001, LACCD entered into a lease-purchase agreement with Lucia Properties, LLC, to purchase the property for \$6,250,000.

In July of 2001, the District received a grant of \$3,000,000 in state funds for use as “seed money to acquire and develop the site as a community college satellite campus through the efforts of former State Senator Richard Polanco.

In August 2001, LACCD closed escrow on the property as stipulated in the Disposition and Development Agreement (“DDA”) with Lucia Properties executed May 23, 2001. Among other things, the DDA gave Lucia (i) the right to purchase approximately two acres of the site from LACCD for a specified price of \$1,785,714; (ii) the right and obligation to serve as Construction Manager for certain satellite campus facilities to be developed by LACCD on the site; and (iii) the right to specified annual payments as further consideration for having assigned to LACCD its purchase contract for the site.

LACCD paid a total of \$6,267,217 for the property purchase including payment to Lucia Properties, LLC and miscellaneous related property costs. The property purchase was funded from the LA City College \$800,000 down payment, the \$3,000,000 from state funds and remaining balance of \$2,467,217 from Certificates of Participation (“COPs”). Additional COPs funds expended, included \$850,000 paid to Lucia Properties after the close of escrow, \$50,000 for developer costs, and \$18,900 for real estate consultants, bringing the total to \$7,196,117.

On May 8, 2002, after concerns were expressed regarding the financial state of Lucia Properties and the availability of new funds from pending passage of Proposition A, LACCD executed an amendment to the DDA and purchased the site from Lucia Properties, including all rights from its previous agreement, for an additional \$6.75 million and related



expenses from Proposition A bond funds, bringing total property costs to \$13,900,100 in 2002.

To help fund this transaction, LA City College agreed that 50% of its annual allocation of Proposition A bond fund interest, estimated annually at approximately \$1 million, would be used to reimburse the Proposition A fund pool until the \$6.75 million was repaid in full.

Upon passage of Measure J in November of 2008, the District utilized approximately \$5 million of Measure J funds to purchase the remainder of the Van de Kamp Site, the Portola Property, bringing the total amount of property acquisition costs to date to \$19,048,640. [Table 7, pg 17]

4.2 Project Fund Sources

In order to present a comprehensive accounting of funding for the Van de Kamp Project, Table 1, reports all sources of funding that have been identified for the Van de Kamp Project from inception to present.

Van de Kamp Project Total Funding By Source or Allocation (February 2011)	
State of California	\$ 3,000,000
Los Angeles City College <i>(Contingency Reserves)</i>	\$ 800,000
Prop A	\$ 6,750,000
Prop AA / COPs	\$ 50,000,000
COPs Interest	\$ 1,710,000
Prop AA Interest	\$ 1,920,149
Prop AA Transfer from LA City College	\$ 5,995,455
Measure J	\$ 10,000,000
Federal EDA	\$ 1,371,802
Total Funding Allocation	\$81,547,406

Table 1

The earliest information identifying the project funding is listed in the LA City College Van de Kamp Project Satellite Campus ledger and other documentation submitted by the CFO. Prior to the bond program, the project was funded from various sources, including \$24,235,300 from COPs, the original \$3,000,000 of state funds and the \$800,000 transfer from LA City College. According to the CFO, the \$800,000 is a loan to the project from the LA City College contingency reserve and must be paid back by bond funds, which would increase the total project expenditures.

With passage of Proposition AA on May 20, 2003, bond funds were allocated to the nine colleges, to satellite campuses, to the District Office purchase and Debt Restructuring.



According to the CFO, a total of \$50 million of funding was allocated for the Van de Kamp Project, \$22.7 million from Proposition AA bond funds and approximately \$27.3 million from COPs.

In November 2008, the project was allocated \$10 million¹ from Measure J for additional property purchases at the site.

When the District took control of the project and site in July 2009, LA City College transferred control and responsibility for the \$50 million of funds, along with \$1,920,149 in Proposition AA interest and \$5,995,455 from its LA City College Proposition AA allocation for a total of \$57.9 million.

A \$1.25 million in Federal Economic Development Administration funds was obtained from the City of Los Angeles for the project in December of 2002. \$1,371,801 of that funding was received by LACCD between 2004 and 2007 and used toward reimbursements for site development expenses such as abatement, demolition or grading.

In February 2003, the Los Angeles City College Foundation obtained a \$240,000 grant for an onsite Wellness Center for the project through the support of Congressman Xavier Becerra. The gym equipment was recently purchased directly by the Los Angeles City College Foundation with the grant money and placed at the site for use by LA City College and the community. This was not part of the District controlled project funding.

4.3 Project Scope and Budget

The early project records indicate that a total of \$29,223,903 was budgeted for the project from 2001 to 2003, and that the project scope of work included the initial property purchase and development agreement for site work as well as construction of a 90,000 square foot facility with on-site parking for 400 vehicles.

On May 12, 2004, the Board of Trustees approved a revised Campus Master Plan that included the renovation of the historic Bakery Building and construction of a new classroom building to provide a total of 36 of classrooms (totaling of 70,000 square feet); 244 parking spaces; and a central plant facility; and the inclusion of a third building to the limits funding would allow. The project budget was \$62,030,000 and included redesign costs and a line item for \$13 million for land costs (although actual property expenditures already totaled \$13,941,654 by 2002).

By November of 2004, DMJM/JGM reported that the project estimate at completion (EAC) costs had increased to \$70.9 million; the increase was due primarily to program changes and the re-design required for the renovation of the Bakery Building.

By April of 2007, the report by the Program Manager (DMJM/JGM) estimated that the project costs at completion would total to \$73.7 million. The report also indicated that some site improvements and facilities, initially funded and included in the project plans, had been deleted to reduce project costs.

¹ In addition to the allocated \$10 million from Measure J, the project has expended approximately \$1,021,692 from the Measure J, District-wide and Northeast College 40J accounts.



As of October 2010, BuildLACCD's Financial System listed \$67.92 million as the budgeted project cost with funding sources and budgeted amounts for the Northeast/Van de Kamp Innovation Campus identified as:

- Prop AA \$57.92 million²
- Measure J \$10.00 million

However, not included or reported by BuildLACCD, were funds used for the initial property purchases and the early project expenditures (such as funding of the initial Architectural Design services contracts); or the Federal EDA funds received for the abatement and demolition in the Bakery Building and site grading.

As demonstrated above, the cost of the Van de Kamp project has escalated significantly since the original \$29.2 million project estimate, in part due to scope changes, redesign costs, and construction cost escalation between 2001 and 2007, the start of construction. The current budget reports from BuildLACCD reflect the budget as \$67.9 million for the current project providing 69,000 square feet of space in two buildings, including related site support improvements.

² \$5,995,455 of this amount was a transfer from the LACC Allocation of Proposition AA funds—generally from projects or activities that had been cancelled or funds that had already been “ear marked” by LACC for development of the Van de Kamp campus



5. Review of Expenditures

The OIG review requirements include the identification of all costs and expenditures that have been incurred for the Van de Kamp Project.. This basic prerequisite has presented a significant challenge since:

- Program and project documentation prior to April, 2007--the date of the change in Program Management from the DMJM/JGM-led team to the URS led team--has not been completely reviewed, catalogued and scanned and/or otherwise made to be readily accessible.
- Some Van de Kamp project-related costs incurred prior to transfer of control of the site from LA City College to LACCD have not been categorized, entered into BuildLACCD's financial systems and allocated or reallocated to the project.
- Construction at the site is still not complete; Notice of Completion has not been filed.
- A significant backlog of change orders submitted last July 2009, remain in dispute and have not been paid.
- Documentation of original and/or revised detailed budgets (i.e., breakdown of design, construction, FF&E, project management costs, etc.) for development of the Van de Kamp campus has not been located.
- Different financial reports of expenditures for the same period present different total amounts.

The following are examples of the various reports of expenditures found for the Van de Kamp project. The reports illustrate the difficulty District management and the public has in determining actual costs of, and information associated with, the project—information essential for District Management to make informed business decisions.

5.1 Project Management Expenditure Reporting

Three of the “official” sources for costs reports for the Van de Kamp Campus Project (Northeast) which have been referenced in preparing this review are the:

- BuildLACCD website Dashboard Reports
- Campus Project Management (CPM) Monthly Progress Report
- BuildLACCD Van de Kamp Innovation Campus Reports (College Summary)



The (General Category) report summarized project expenditures of \$67,474,350 through October 29, 2010 [Table 2] as follows:

BuildLACCD College Summary (October 2010)	Amount
Construction	\$49,314,592
Land Acquisitions	\$10,500
Master Planning/EIR	\$235,009
Move Managers	\$31,433
OCIP	\$19,254
Program Management	\$2,047,987
Legal/Audit Consulting Fees	\$260,126
Design	\$6,049,701
Asset Management	\$82,839
Specialty Consulting	\$1,232,412
Project Management	\$4,888,213
Furniture, Fixtures & Equipment	\$1,487,859
Inspection and Testing	\$1,814,425
Total	\$67,474,350

Table 2

Based on the October 2010 “projects” summary report, presented on the following page (Table 3), the project would appear to have essentially expended the amount budgeted, and have nearly \$4 million of additional costs (Estimate at Completion) still outstanding. This does not include the \$5,008,700 million recently expended acquiring the Portola property.

According to BuildLACCD, expenditures for property transactions are managed directly by the District and are not reconciled or expensed in the BuildLACCD system until specific transaction information is sent by the CFO. The CPM and the Van de Kamp project manager are responsible for inputting estimates of all costs for project completion. The exclusion of the estimate for the \$5 million property purchase was incorrectly reported, which may have contributed to project cost overruns.

The cumulative expenditure of bond funds identified in the various BuildLACCD October 2010 “projects” summary reports⁴ is approximately \$68,496,032. In addition, these reports indicate the project still has outstanding commitments of \$1,154,270 essentially remaining, unexpended funds on contracts for the project; and an estimated \$3,069,997 of estimated costs to complete the project. Based on the BuildLACCD Financial System reports, the total project expenditures at completion of the project will be at least \$77.8 million (including the unrecorded costs of the Portola Property for \$5,008,700).

⁴ Amounts include the District-wide “40J” and “40JN” reports



Project	Budgeted	Expended	Estimate At Completion (EAC)
21N-115 New Education Building	\$ 25,227,862	\$ 27,011,598	\$ 28,091,684
21N-117 Recreation Area	\$ -	\$ -	\$ -
21N-118 Central Plant	\$ 5,508,595	\$ 5,774,041	\$ 5,865,012
21N-119 San Fernando Road Street Widening	\$ 474,021	\$ 489,287	\$ 547,778
21N-120 Bakery Building	\$ 22,510,069	\$ 25,203,447	\$ 27,557,328
21N-121 Demolition	\$ 15,630	\$ 15,630	\$ 15,630
21N-122 Educational Center Status	\$ 187,489	\$ 187,489	\$ 187,489
21N-130 Woman's Gym	\$ 100,499	\$ 100,498	\$ 100,499
21N-131 Abatement, Demolition and Infrastructure	\$ 82,238	\$ 82,238	\$ 82,238
21N-154 Public Works	\$ 157	\$ 157	\$ 157
21N-154.01 Waterless urinals	\$ 165	\$ 165	\$ 165
21N-154.02 VIDEO CONF CTRS MOD	\$ -	\$ -	\$ -
21N-155 Bulk Procurement	\$ 46	\$ 46	\$ 46
21N-155.02 PURCHASE OF PWR TOOLS	\$ 3	\$ 3	\$ 3
21N-155.03 Bulk Purchase - Athletic	\$ 1	\$ 1	\$ 1
21N-155.04 Bulk Purchase - Musical Instruments	\$ 96	\$ 96	\$ 96
21N-155.05 Video Conference Equipment	\$ -	\$ -	\$ -
21N-155.06 Bulk Purchase - CHILD DEV CTR F&E	\$ 8	\$ 8	\$ 8
21N-156.01 DW-SCANNING & CODING	\$ 258	\$ 258	\$ 258
21N-173 RWGPL	\$ -	\$ -	\$ -
21N-176 Demolition	\$ -	\$ -	\$ -
21N-177 Temporary Facilities	\$ 1,970	\$ 1,970	\$ 1,970
21N-178 Land Acquisition	\$ 5,021,541	\$ 32,041	\$ 34,041
21N-179 Campus Wide Improvements	\$ 66,013	\$ 66,013	\$ 66,013
21N-181 Master Planning	\$ 285,555	\$ 295,237	\$ 316,655
21N-189 Campus Program Management - Asset Assessmen	\$ 115,815	\$ 115,815	\$ 115,728
21N-190 Campus Program Management - Program Managem	\$ 2,061,490	\$ 2,047,987	\$ 2,061,490
21N-191 Campus Program Management - Project Manageme	\$ 4,550,736	\$ 4,538,268	\$ 4,872,935
21N-193 Campus Program Management - Legal Services	\$ 232,534	\$ 231,416	\$ 232,534
21N-194 Campus Program Management - Performance/finan	\$ 38,911	\$ 38,911	\$ 38,864
21N-195 Campus Program Management - Other Consulting	\$ 835,755	\$ 702,748	\$ 729,823
21N-199 Campus Program Management - Contingency	\$ 598,151	\$ 538,986	\$ 538,986
TOTALS	\$ 67,915,604	\$ 67,474,350	\$ 71,457,429

(Table 3)

During the preliminary review of the OIG's findings with BuildLACCD's management, the OIG discussed its observation that the project funds were essentially depleted and that some significant expenditures were outstanding and unreported. On February 15, 2011, BuildLACCD provided the OIG with updated reports of project expenditures. In the updated "projects" report, the "Expended" amount was reduced from \$67,474,350 to \$62,251,781 and the reported "Estimate at Completion (EAC)" has been reduced from \$71,457,429 to \$63,023,105, primarily due to accrual adjustments.

5.2 OIG's Determination of Total Project Expenditures

The OIG has assembled, reviewed and evaluated the information in the BuildLACCD Financial System reports provided on October 29, 2010, updated February 15, 2011 report, and additional related documentation in the BuildLACCD DocView system, various documents from District Headquarters files, Board Meeting Minutes and active project files.

The total, documented expenditures that have been found for this project, i.e., payments issued, are summarized as follows [Table 4].



Van De Kamp/Northeast Campus Project Expenditures (February 2010)	
Cost Group	Amount Expended
Real Estate Costs	\$19,048,640
Early Project Costs	\$2,592,391
Construction Hard Costs	\$43,469,143
Design Costs	\$7,239,170
Admin-Management Costs	\$10,164,074
FF&E Costs	\$2,122,024
Other Costs ⁵	\$1,858,039
TOTAL	\$86,493,481

Table 4

The OIG has found that the “differences” of Total Project Expenditures identified in this review (Table 4) and the total amounts from the BuildLACCD project reports, are the result of project transactions not being recorded and/or reported in a single system i.e., early project costs paid and tracked by LA City College and the CFO; and a lack of reconciliation or consolidation into the BuildLACCD system.

As a result, current project expenditures totaling **\$86,493,481** exceeds the total allocated project funding of **\$81,547,406** (Table 1) by **\$4,946,075**.

The following outstanding costs [Table 5] have also been identified for unbilled or unpaid services, materials or work that have been ordered or received; or disputed change orders.

Van De Kamp/Northeast Campus Outstanding Costs	
Cost Group	Amount
Committed Balance (<i>Contract Balances</i>)	\$891,487
FF&E Order (<i>Pending Orders</i>)	\$194,657
Construction Change Order Requests ⁶ (<i>Potential</i>)	\$2,786,067
TOTAL	\$ 3,872,211

Table 5

It should be noted that not all of the listed amounts of Outstanding Costs may be incurred, i.e., not all the Campus Program Management – Other Consulting Services, or the Campus Program Management – Contingency may be spent.

⁵ Other Costs include OCIP costs, energy studies, utility bills, bid advertising, printing, legal fees, specialty consultants, outreach.

⁶ The construction contractor submitted demand for payment for change work; change orders are in dispute and being negotiated.



Therefore, at the completion of the Van de Kamp Project, based upon documented and anticipated project expenditures identified by the OIG, the District will have expended at least **\$90,365,692** on the Van de Kamp Project.

In addition, several “Potential Liabilities”, which may or may not occur or be required, have been identified [Table 6] and total \$1,576,098.

Van De Kamp/Northeast Campus Potential Liabilities	
Cost Group	Amount
21 Worker’s Compensation Claims	\$750,000
Portola Ventures Indemnification	\$500,000
TOTAL	\$1,250,000

Table 6

The following section discusses some of the specific findings and stated reasons of unrecorded and/or unreported expenditures.

5.2.1 Property Purchase

The OIG has identified approximately \$19,048,640 million [Table 7] that has been expended acquiring the Van de Kamp site.

Van De Kamp/Northeast Campus Real Estate Costs Breakdown	
Cost Group	Amount
Property Lease-Purchase (DDA)	\$6,250,000
<i>Property Developer Payments</i>	\$900,000
Property Purchase (Amended DDA)	\$6,750,000
(Measure J) Portola Property	\$5,008,700
Related Closing Costs	\$17,217
Related Consultant Costs	\$112,723
TOTAL	\$19,048,640

Table 7

The original lease-purchase, May 2010, included a property purchase of \$6,250,000, closing costs, and an agreement to pay Lucia Properties to develop the satellite campus (payments of \$454,167 for twelve years approximately \$5.5 million); and the right to purchase approximately two acres of the site from LACCD for a specified price of \$1,785,714.

The early property expenditures do not show up as costs to the Van de Kamp Project in the BuildLACCD Financial System as BuildLACCD’s system does not include “non-bond” paid



expenditures or property costs paid directly by the CFO; however, it has been included in the OIG's report as part of the total Van de Kamp project acquisition costs.

In May 2002, the District amended the previous agreement and paid \$6.75 million to Lucia Properties and obtained all rights to the property. This transaction was funded with LA City College Proposition A Funds and continues to be listed as an LA City College Project (01C-178). As such, it is not recorded as a cost to the Van de Kamp project in the BuildLACCD Financial System. This \$6.75 million expenditure has also been included in the OIG's report of Van de Kamp expended project costs.

As previously discussed, the District purchase of the Portola property for \$5,008,700 has been budgeted, as indicated in the "Project" summary report for this purchase, but not been recorded in the BuildLACCD Financial System as an expenditure; however, this expenditure has been included in the OIG's report of Van de Kamp expended project costs.

The total expenditure attributed by the OIG to acquisition of the Van de Kamp site includes approximately \$93,087 of associated consultant fees, title company fees and other miscellaneous costs and are included in the OIG's report of Van de Kamp expended project costs. Additional costs have yet to be identified and recorded for the real estate fees associated with the purchase of the Portola property.

5.2.2 Design Fees

When initially reviewing the \$1,000,000 in fees reported by the BuildLACCD Financial System as having been paid to Steven Erlich Architects (SEA) for design of the \$22 million New Education Building, the 5% fee appeared inadequate. Through a review of District contracts with SEA, it was found that over \$2 million in initial contracts and extra-services amendments had been issued for the design services. SEA was requested to provide a listing of all invoices submitted and amounts received for the project. The listing provided identified invoices and payments received in excess of \$2.2 million. The OIG verified that \$1.2 million was unreported in the BuildLACCD system.

In this instance, the SEA spanned several years of the project and was both BuildLACCD and the CFO paid invoices. Identifying and reconciling expenditures against contract and contract commitments is a fundamental project and program management control requirement; the OIG is unclear how BuildLACCD, without reconciling the approved contract amounts against payments made, could ensure that payments made on behalf of the District were not exceeding the approved contract amounts.

Concurrent with the request to SEA, the architect for the Bakery Building, Roschen Van Cleve (RVC), was contacted and similar information requested since the 7% fee of \$1.3 million reported as having been paid for design services also appeared inadequate (for an \$18 million renovation of a historic structure) and the contracted amounts exceeded the amounts reported as having been paid. RVC provided a listing of all invoices it submitted and amounts received for the project as requested. The listing provided identified invoices with payments received in excess of \$1.5 million.

These additional \$1.4 million of design fees have been included in the OIG's report of Van de Kamp expended project costs.



5.2.3 OCIP (Owner Controlled Insurance Program)

The District utilizes an Owner Controlled Insurance Program (OCIP) to help control the cost of various types of insurance and ensure adequate coverage on its projects; including Worker's Compensation, Builder's Risk, Excess Liability, Pollution Liability, and Professional Liability. Because of the volume of the coverage, the District is able to obtain favorable insurance rates—significantly lower than those available to individual contractors. This coverage is provided for all contractors at all levels/tiers working on the project site and allows contractors to deduct the cost of the insurance coverage from their bids.

The BuildLACCD Financial Systems reports provided the OIG in October 2010 and a subsequent report of payments made to Aon for insurance coverage in January 2011, indicates that approximately \$429,000 of insurance premiums have been paid on the Van de Kamp project. However, only \$17,500 was identified as Worker's Compensation insurance payments (or an allocation of payments) made to the carrier for the Van de Kamp project.

The administrator for the District's insurance program, AON, was requested to identify the Worker's Compensation coverage that had been provided for the project (either in terms of reported man-hours or reported payroll) since Worker's Coverage premiums are based on the District rate per \$100 of payroll. The payroll amounts reported for Worker's Coverage are those in the certified payroll reports submitted for verifying compliance with the various labor compliance laws.

AON's records indicate:

- OCIP 1 – \$9,332,135 of payroll reported at \$3.63 per \$100 of payroll reported
- OCIP 2 – \$1,489,540 of payroll reported at \$1.52 per \$100 of payroll reported

Based on these rates, the Worker's Compensation premiums allocated to this project should be approximately \$361,000 – not \$17,500. Because of the District's contract with the insurance carrier, it may be presumed the full \$361,000 has been paid – but not allocated to the Van de Kamp project. The differential of \$344,000 should be added to the Van de Kamp project costs.



6. Exhibits

Exhibit A – List of Persons Interviewed



Exhibit A – List of Persons Interviewed by the OIG

- Dr. Adriana Barrera, LACCD Deputy Chancellor
- Larry Eisenberg, LACCD Facilities Executive
- Tom Hall, LACCD Facilities Planning & Development
- Jeanette Gordon, LACCD Chief Financial Officer
- Hubert Lee, Office of the CFO
- Camille Goulet, LACCD General Counsel
- Richard Brand, VDK Project Manager
- Jorge Mata, LACCD IT Director
- Ed Molina, LACCD IT
- Sam Nainoa, LACCD IT
- Richard Brand, BuildLACCD – (VDK) Project Manager
- Mona Garber, BuildLACCD -Compliance Manager
- Kerin Funk, BuildLACCD – FF&E Procurement
- Yahya Siddiqui, BuildLACCD – Controls and Finance Group
- Lissa Metoyer, BuildLACCD
- Dave Barilotti, BuildLACCD
- Dr. Jamillah Moore, President, LA City College
- Alex Davis, LA City College
- Ken Sherwood, LA City College
- Lisalee Wells, Bond Counsel
- Howard Lappin, Alliance Charter High School
- Chris Dunne, Harris (CPM)
- Serafin Fernandez, Harris (Project Manager)
- Ron Rakich, Risk Manager
- George Kingston, Risk Management

