



# LONG BEACH COMMUNITY COLLEGE DISTRICT

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2002 MEASURE E AND  
2008 MEASURE E  
CONSTRUCTION BOND PERFORMANCE  
AUDIT REPORT  
*Fiscal Year Ended June 30, 2009*

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December 1, 2009

Mr. Eloy Oakley  
Superintendent-President  
Long Beach Community College District  
4901 E. Carson Street  
Long Beach, California 90808

Subject: 2002 Measure E and 2008 Measure E  
Construction Bond Performance Audit Report for 2009

Dear Mr. Oakley:

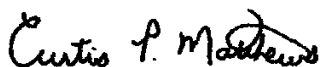
This report summarizes the results of our engagement to provide 2002 Measure E and 2008 Measure E construction bond performance audit services for the fiscal year ended June 30, 2009. This performance audit evaluated the Long Beach Community College District's (LBCCD or the District) compliance with Measure E requirements.

This engagement was performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants as outlined in our engagement letter dated June 17, 2009. The scope of this engagement is outlined in the body of our report. Our report was developed based on information from our interviews with District employees, and our testing and analysis of facilities construction program documentation.

This report is intended solely for the use of District Administration, the Bond Citizens' Oversight Committee (COC) and the College Board of Trustees (Board). Moss Adams LLP (Moss Adams) does not accept any responsibility to any other party to whom this report may be shown or into whose hands it may come.

We would like to express our appreciation to you and all members of your staff for your cooperation throughout our review. Please contact me at (503) 704-6943 if you have any questions regarding this report.

Sincerely,



Curtis Matthews, Partner  
for Moss Adams LLP

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## **EXECUTIVE SUMMARY**

The Long Beach Community College District (LBCCD or the District) has implemented controls covering the use of school Construction Bond funds that comply with 2002 Measure E and 2008 Measure E and Proposition 39 requirements. Our performance audit procedures found no discrepancies in the use of expenditures for approved Bond Fund purposes for the fiscal year ended June 30, 2009. For the year ended June 30, 2009, Bond Program expenditures were \$108,135,713.

## **OBJECTIVES AND SCOPE**

Performance audit procedures evaluated the Long Beach Community College District Bond Program compliance, program performance controls, and efficiency. We analyzed the Construction Program controls structure. All expenditures sampled were tested for contractual compliance with 2002 Measure E and 2008 Measure E funding source requirements and purposes. Expenditures listed in this report are from the District's books and records.

This was a performance audit performed under American Institute of Certified Public Accountants (AICPA) consulting standards and did not constitute a District financial audit performed under AICPA assurance standards. The annual performance review tasks and activities were as follows:

- **Engagement Initiation**

The performance audit focused on significant and probable risks to achievement of important and urgent Bond Program objectives. Our professional team met with the District leadership team to confirm the work plan, validate the objectives and finalize the audit schedule. We obtained information on significant project accomplishments and changes which occurred during the audit period. We clarified the roles and responsibilities of the audit team and established key milestones for progress reporting. The District liaison was identified to facilitate document retrieval, interview logistics, and coordination between the project team and District personnel. The result of this meeting was a confirmed work plan and activity schedule, understanding of key milestones, and agreement on interim and final deliverables.

- **Documents Reviewed**

Two weeks prior to commencing field work the performance audit team provided a written list of District-prepared items requested for review. We reviewed key documents that described and quantified the plans and results of your Bond construction program. The documents we reviewed included:

- 2002 Measure E and 2008 Measure E bond language
- Procurement bid and award documentation
- Contracts
- Payment applications and invoices

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- Relevant financial records, general ledger and transaction support
- Unified master plan
- Relevant policies, procedures, reports and key correspondence

- **Interviews and Observation**

We interviewed key personnel responsible for implementing the Bond Program, including senior management and staff from the District and Bond Program Management Team responsible for overseeing the work associated with the Bond Program. The individuals interviewed are listed in Appendix A of this report.

- **Detailed Analysis – Compliance with Bond, State, Federal and Other Funding Source Requirements**

We compared Bond Program activities and results to voter materials, Bonds, State and other funding source requirements. We reviewed Bond Program accounting records, contracts, purchase orders, invoices, payment records and other documents of current expenditures as needed to determine whether the funds were being used for Bond Program purposes. In addition, Bond Program expenditures were compared to the Unified master plan.

We performed a walkthrough of the Bond funds expenditure cycle to validate that internal controls over expenditures and use of the funds for the Bond Program were designed effectively.

We evaluated Bond Program financial records and expenditure cost support to verify that funds were used for approved Bond Program purposes and were in conformance with appropriate contracts. We judgmentally selected a sample of 65 payments from the time period July 1, 2008, through June 30, 2009. The total dollar amount sampled was \$60,187,866 out of total 2002 Measure E and 2008 Measure E expenditures of \$108,135,713 (55.7%). These expenditures were tested to determine if they had been made in conformance with Bond Program purposes, ballot language, the Bond project list approved by voters and Bond stipulations.

The results of our assessment are based upon our experience with other construction programs, knowledge of the District, staff interviews, and review of Construction Program documentation.

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• **Follow-up on Previous Audit Recommendations**

We interviewed District and Cordoba Corporation (Cordoba or BMT) personnel to determine whether open audit issues identified in the 2008 Bond Program performance audit had been addressed. 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 2008	5	5
Audit 2007	3	3
Audit 2006	8	8
Audit 2005	21	21
Interim Audit 2004	13	13
Audit 2004	<u>66</u>	<u>66</u>
<b>Total</b>	<b><u>116</u></b>	<b><u>116</u></b>

**BACKGROUND INFORMATION**

The 2002 Measure E (Series A through D) 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 2002 Measure E bond. In 2008, a second 2008 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 million in bond funding for educational facilities construction. The 2002 Measure E and 2008 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 addressed expenditures related to both 2002 Measure E and 2008 Measure E totalling \$621 million in bond funds.

Below is a summary of total 2002 Measure E and 2008 Measure E bond funds, expenditures to date and remaining funds. This summary of 2002 Measure E and 2008 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.

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

<b>Total 2002 Measure E Bond Program Funds</b>	\$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	(36,074,443)
July 1, 2008 - June 30, 2009	(62,033,685)
Remaining Bond Funds as of July 2009	<u>\$ 5,634,023</u>

<b>Total 2008 Measure E Bond Program Funds</b>	\$440,000,000
Expenditures to Date:	
July 1, 2008 - June 30, 2009	(46,102,028)
Remaining Bond Funds as of July 2009	<u>\$393,897,972</u>

**APPENDIX A – INTERVIEWS PERFORMED**

The following key personnel were interviewed:

- Ann-Marie Gabel, LBCCD, Vice President, Administrative Services
- Bill Adams, Cordoba, Program Director
- Bob Rapoza, LBCCD, Manager, Internal Auditor
- Patricia Davis, LBCCD, Deputy Director, Finance and Accounting
- Lexi Donovan, Cordoba, Financial Analyst