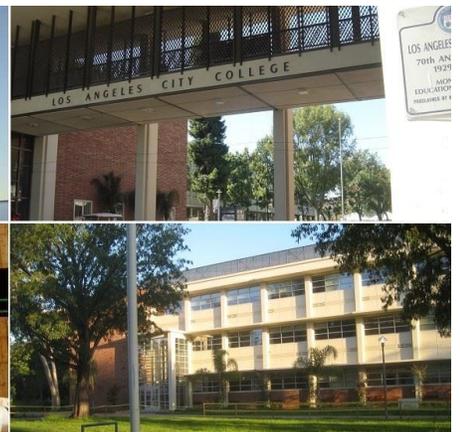


Bond Program Monitor Activities Report

First Quarter: January 1 – March 31, 2019

Submitted to the Board of Trustees
and Chancellor, April 15, 2019



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INTRODUCTION¹

The Bond Program Monitor (herein referred to as “BPM” or “the Monitor”) is an internal integrity monitoring function of the Los Angeles Community College District (herein referred to as the “LACCD” or “the District”) to ensure that the Bond Program, also known as “BuildLACCD”² is performing with the utmost integrity. The BPM function is required pursuant to LACCD Board Rules that were adopted by the LACCD Board of Trustees (herein referred to as the “BOT” or “Board”) on January 12, 2011.³ The specific Board Rules for the BPM outline the authority, duties and standards, and reporting requirements, one of which is the submission of a quarterly activities report which must be made available to the public.⁴

Through a Request for Proposal (RFP) process, the LACCD conducted a search and in October of 2019, Exiger, with Deirdre Waldron Power leading, was selected as the Bond Program Monitor. The BPM’s key staff include Denise Lewis of Exiger as Deputy Bond Program Monitor; William O’Brien of Exiger as the Senior Professional Investigator; and, Joy Charles of Armand Resource Group (ARG)⁵ as Senior Professional Examiner.

The Monitor began its duties on January 1, 2019, starting with the collaborative development of a workplan designed for the purpose of deterring and detecting misconduct including corruption, fraud, violations of non-discretionary laws, rules or regulations, an abuse of discretion, or other actions or inactions occurring in the context of a deliberate or reckless disregard of an actual or probable waste of District funds. This is the first quarterly activities report of the Bond Program Monitor.

1st QUARTER ACTIVITIES

During the first quarter ending March 31, 2019, the BPM formulated and began implementation of its workplan which includes specific actions needed to achieve the below listed objectives.

¹ The introduction to each Bond Program Monitor’s quarterly activities reports will remain essentially unchanged in order to provide a historical perspective of the monitorship and allow this report to stand and be read alone.

² BuildLACCD is the LACCD’s Building Program funded mainly by bonds approved by Los Angeles Voters in 2001 (Proposition A: \$1.245 billion), 2003 (Proposition AA: \$980 million) 2008 (*Measure J*: \$3.5 billion) and 2016 (*Measure CC*: \$3.3 billion).

³ A copy of the LACCD Board Rules 17300-17307 pertaining to the Bond Program Monitor can be found at: <https://www.laccd.edu/Board/Pages/Board-Rules.aspx>.

⁴ A copy of all the Bond Program Monitor’s Quarterly Reports will be found at: <http://www.laccd-oig.org/>. We note, however, that the link name may be changed in the transition of the website from OIG to Bond Monitor.

⁵ Armand Resource Group is a certified small business and a subcontractor of Exiger’s for the duration of the LACCD BPM engagement.

- Conduct a Comprehensive Policy and Protocol Review
- Establish a Visible Presence
- Establish a Data Gathering Protocol
- Set up Reporting Protocols
- Conduct Investigations and Targeted Reviews, as needed

The BPM's work in the above areas is meant to establish an understanding of the environment in which the Build-LACCD operates; to assess compliance with applicable laws and regulations; to identify areas of potential weaknesses or vulnerabilities for fraud, waste or abuse; and, to determine if there are opportunities for improvement.

The BPM's activities during this reporting period towards the above ongoing objectives are detailed in the remainder of this report.

POLICIES & PROTOCOLS REVIEW

During the first quarter, the BPM initiated the first steps of its comprehensive review of the Bond Program policies and protocols by focusing on those associated with high potential risk areas including procurement and labor compliance. As part of its review process, the BPM conducted interviews of key management staff including LACCD's Chief Facilities Executive (CFE) and the leadership within the Program Management Office (PMO) Jacobs Project Management Company, and Build-LACCD's PMO Contracts Manager. The BPM also began its review of the LACCD and PMO policies, Standard Operating Procedures (SOPs), procedures, internal controls, and audit reports in order to identify and evaluate any potential risks or exposures to the District.

The BPM's review has identified a number of procurement related policies and protocols that warrant further review. The BPM will continue its work during the upcoming quarter and will include finalized results and recommendations when appropriate in its quarterly report.

VISIBLE PRESENCE

The BPM began establishing a visible presence through its in-person attendance at PMO and campus construction team meetings; by conducting numerous in-field site visits to the nine college campuses; and, through interviews of both PMO site management and employees. This level of BPM fieldwork, which will continue throughout the monitorship, is meant to establish working relationships with construction teams; create a known field presence with management and employees and open lines of communication; conduct visual inspections; and conduct in-person interviews. The overall objective is to create a deterrent effect; assess compliance with applicable laws, regulations; identify areas of potential weaknesses or vulnerabilities for fraud, waste or

abuse; and, to determine if there are opportunities for improvement.

ONSITE INSPECTIONS

During the first quarter, the BPM and its inspection team, met with each of the College Project Teams (CPT) and performed a total of 34 unannounced onsite visits and conducted 87 prevailing wage interviews, covering the nine LACCD college campuses and the ELAC annex campus in Southgate. The following chart provides an overview of the BPM in-field campus visits:

| LACCD Campus | Feb/March | | March | |
|----------------------|--------------------------------|-------------------------------|------------------|----------------------------|
| | Introductory Meetings with CPT | Community Oversight Committee | Site Inspections | Prevailing Wage Interviews |
| LA City | 1 | | 3 | 12 |
| East LA | 1 | | 3 | |
| <i>Southgate</i> | 1 | | 3 | 5 |
| West LA | 1 | | 5 | 20 |
| Mission | 1 | | 3 | 10 |
| Pierce | 1 | | 4 | 3 |
| LA Valley | 1 | 1 | 3 | 14 |
| LA Harbor | 1 | 1 | 4 | 6 |
| Southwest LA | 1 | 1 | 3 | 9 |
| Trade Tech | 1 | | 3 | 8 |
| <i>Totals</i> | 10 | 3 | 34 | 87 |

The BPM's onsite inspections resulted in various observations which were communicated to the College Program Team staff in real time.

LABOR COMPLIANCE

The Monitor's scope of work includes both oversight of the PMO's required labor compliance oversight and that of the contractual and legal compliance by the individual contractors. The Monitor met with the PMO's Labor Compliance Unit (LCU) to gain an understanding of its processes and procedures related to this oversight. The LCU conducts routine audits, field site visits and investigations into allegations of labor law violations initiated following an audit or receipt of a complaint. Following a finding of unresolved prevailing wage underpayment, the LCU may refer a contractor to the California Department of Industrial Relations for enforcement. The Monitor will test compliance with these procedures during the second quarter 2019.

Regarding oversight of contractors' compliance, we note that there is a scope overlap with the

LCU and we have established a coordination protocol to avoid duplication and to leverage information between the Monitor and the LCU. Specifically, the LCU has been provided access to the Monitor's prevailing wage interview memoranda (87 prevailing wage interviews in the first quarter). LCU has agreed to inform the Monitor when they open up an investigation into any of the contractors so that the Monitor's field investigators can be aware when encountering those firms in the field. The Monitor has agreed to inform the LCU of the results of any of our Prevailing Wage investigations or audits so that they can determine if it warrants referral to the California Department of Industrial Relations.

WHISTLEBLOWER HOTLINE AND WEBSITE

Additionally, the BPM re-directed the toll-free Whistleblower Hotline for anonymous reporting, for the purpose of receiving reports of misconduct related to the Bond Program. The hotline number rings directly to the BPM's phone line and is included in a newly designed BPM poster along with a physical and an email address. The posters have been ordered and will be posted at job sites in the coming days.

The BPM webpage is also under construction⁶ and will be launched during the upcoming quarter. Along with the Whistleblower hotline information, the below newly created BPM Mission and Scope statements will be highlighted on the website.

Mission Statement

As the Bond Program Monitor (BPM), Exiger will serve the Los Angeles Community College District to deter and detect waste, fraud, corruption and abuse by establishing an experienced investigative field presence working in conjunction with forensic audit and engineering services, and to communicate findings and recommendations with independence and accountability.

Scope Statement

The Bond Program Monitor ("BPM") is authorized by the LACCD Board of Trustees and Chancellor to ensure its program funded by Proposition A, Proposition AA, and Measures J and CC bonds is performing with the utmost integrity. The BPM reports directly to the Board of Trustees, through the Chancellor and provides periodic executive briefings as needed. The BPM will investigate and report on suspected misconduct, fraud, corruption or violations of laws, rules or regulations. The BPM will establish and manage a whistleblower hotline, a website, and report its activities on a quarterly basis, the written reports of which will be published to its website. The BPM will conduct an initial risk assessment of the program; attend meetings; conduct

interviews; review any related documentation including audits, policies, procedures and protocols; conduct field level assessments; and, receive complaints and conduct investigations. It is not the BPM's function to perform in a management capacity, evaluate budgets, or conduct performance or financial audits. In performing its authorized duties, the BPM may recommend enhancements in management areas that facilitate the prevention, detection, and reporting of misconduct related to the Bond Program.

DATA GATHERING

The BPM's on-boarding process began with the receipt of many internal documents and continued throughout the proceeding months. The BPM has received LACCD and PMO policies and SOPs, internal and external audits. The PMO also provided the BPM staff with several laptop computers in order to ensure direct access to the internal BuildLACCD drive that houses all Bond Program documentation including contracts and change orders. This level of access to current policies and procedures is critical to fulfilling one of the primary tasks of the BPM, which is to provide process advice and make recommendations for any corrective internal controls, policies, and procedures to the Bond Program management wherever there are opportunities for improvement. As described above, the BPM began its review of policies in high risk areas including procurement and labor compliance. The BPM's internal processes for gathering data and others will be included within the BPM Protocols document currently being developed. The BPM's work in this area and others and will continue over the course of the monitorship.

REPORTING PROTOCOLS

One of the tasks of the BPM is to develop a formalized written Communications Plan. While communication and reporting protocols are "structural" and must allow for independence and accountability. However, they can only be implemented with a strong relationship of trust in which, once protocols are implemented, they are followed. Certain scenarios require ad-hoc communication and alternate reporting for exceptions such as situations in which a member of the oversight structure is potentially directly or indirectly involved. In all instances the Communications Plan must promote transparency whenever legally possible. With regard to the reporting of non-fraud related project specific issues observed in the field such as unauthorized weekend work, unsecure job sites, or safety issues – the BPM has developed relationships with the project managers, College Project Directors (CPD) and Regional Program Directors to ensure notifications of such issues are made immediately. In the above examples, that information was provided directly to the college team in real time for remediation with a report back to the BPM upon resolution to ensure the loop was closed on any outstanding issues.

The BPM began the communication process by scheduling regular meetings with the Chancellor in order to keep LACCD executive staff apprised of BPM activities and to avoid duplication of efforts. The BPM Communications Plan will be developed through a review of existing policies and an understanding of District and stakeholder expectations.

Over the coming months, the BPM will finalize the Communications Plan which will include written procedures for the following:

- Consultations with the Chancellor and other District executive management
- Method of informing appropriate District executive management, the Board of Trustees, and the public of the BPM's activities, findings, recommendations, and accomplishments
- Method of providing technical advice and recommendations to Bond Program management, the Chancellor, and the Board of Trustees
- Frequency of status reports to the Chancellor and Board of Trustees on objectives, critical problems, investigation status and findings, and corrective recommendations on matters related to the Bond Program, including the following:
 - Procedures for providing and publishing quarterly reports on BPM activities
 - Method of alerting the Chancellor and the Board of Trustees to instances of criminal behavior or other egregious misconduct that become known to the BPM
 - Confidentiality protocols in the case of open investigations and personnel issues to ensure compliance with the California Records Act and the Brown Act.

INVESTIGATIONS AND TARGETED REVIEWS

One of the BPM's primary responsibilities is to receive and investigate complaints of possible misconduct. While each investigation is different, there are certain core techniques that form the basis of our methodology. The BPM will include the below core investigative techniques and targeted reviews along with other procedures within the BPM Protocols currently being drafted and mentioned elsewhere in this report:

- Document review
- Witness interviews
- Surveillance
- Analysis of available electronic data
- Utilization of Exiger's due diligence technology resources; and
- Thorough and fair documentation of all information received.

The BPM commenced its work in this area by reviewing the most recent closed investigations which were conducted by the Director of Internal Audit who was tasked with carrying out the investigating duties of the BPM for several years. Over the proceeding weeks, the BPM received

two different complaints, both of which are currently being investigated following the above described methodology. The BPM is keeping the Chancellor and appropriate District executives apprised on the status of these investigations. Given the BPM's efforts to advertise the Whistleblower hotline on posters, the BPM's visible presence in the field, and the launch of a newly designed webpage, the BPM expects that the number of complaints may increase over time.

CONCLUSION

The first quarter of monitoring activities have been informative for the BPM team and revealed that both the LACCD executive and management staff, and Bond Program PMO management, are committed to ensuring the integrity of the Bond Program. The Monitor is encouraged by the cooperation received, and shares the goal of protecting LACCD's resources. Over the next quarter, in addition to launching the Whistleblower Campaign, the Monitor will continue to:

- Familiarize itself with the LACCD and its Bond Program;
- Conduct onsite inspections for compliance assessments;
- Review policies and procedures and offer recommendations where relevant; and
- To develop its Communication Plan and other BPM protocols.

April 15, 2019

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ABOUT EXIGER

Exiger assists organizations worldwide with practical advice and technology solutions to prevent compliance breaches, respond to risk, remediate major issues and monitor

ongoing business activities. In the US, Exiger has offices in New York, Los Angeles, and Silver Spring and employs hundreds of compliance professionals, all of whom have monitorship experience. Exiger’s Construction Integrity Monitoring Program (“CIMP”) is dedicated to preventing fraud, waste and abuse at construction sites, and has on staff highly experienced project managers, engineers, auditors and investigators, many of whom have significant monitorship, law enforcement, and/or construction experience. Exiger’s CIMP has been continuously growing in size since its formation nearly four years ago, and has acquired a highly-experienced project management team and administrative staff, along with a deep “bench” when it comes to our experienced construction monitoring professionals who are available as additional resources if needed to quickly adapt to the changing demands of our customers.

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