CAPITAL PROGRAMS

DELEGATIONS OF AUTHORITY

AUDIT REPORT #24-2102

Audit & Advisory Services

January 2025

CAPITAL PROGRAMS

DELEGATIONS OF AUTHORITY

AUDIT REPORT #24-2102

# Background

As part of the Campus audit plan for fiscal year 2023-24, UCLA Audit & Advisory Services (A&AS) conducted an audit of internal controls and related procedures associated with select Campus entities’ use of their delegated authority for capital projects.

The UCLA Delegation of Authority defines campus officials’ authority to approve or execute significant broad based business activities on behalf of the University and the Regents. Housing & Hospitality Services (H&HS), Facilities Management (FM), and Real Estate Services are responsible for managing the construction of approved capital projects within their respective areas. This is a responsibility delegated from the Chancellor, to the Administrative Vice Chancellor for H&HS and FM, and to the Vice Chancellor and Chief Financial Officer for Real Estate Services. Capital Programs staff are responsible for providing project approvals, contract services, project accounting services and inspection services, and other such services that may be required to support delegated entities with the management of capital improvement projects. These delegated entities should ensure that contract execution stays within the approved capital improvement budget, which includes all associated costs such as site clearance, construction, utilities, site development, architectural and engineering fees, administration, testing, contingencies, and equipment. Total project cost limits range from $1 million and $3 million, depending on the entity and specified projects, with H&HS and FM allowed to sign related construction documents over their total project cost limit, following the appropriate approvals. The delegations emphasize oversight in design professional and contractor selection, project execution, financial control for capital projects, and are governed by University of California (UC) policies, including the UC Facilities Manual.

The Design and Project Management (DPM) division within FM is responsible for planning, design, and construction management for campus facilities. Similarly, the H&HS Project Management office manages projects for both on-campus and off-campus properties overseen by H&HS.

UCLA Real Estate Services comprises several departments. The Real Estate department handles leasing, acquisitions, dispositions, and license agreements for both the UCLA campus and Health System entities. Meanwhile, the Asset Management department provides support services, including property management and construction administration, for University-owned properties.

# Purpose and Scope

The purpose of the audit was to determine the adequacy of internal controls governing the delegations of authority granted to select Campus entities (H&HS, FM, & Real Estate Services), and to evaluate compliance with University policies and procedures. The scope of the audit focused on the following areas:

Compliance with Delegation of Authority Requirements

Project Planning

Project Oversight and Monitoring

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included interviews, examining documents, tests, and other procedures considered necessary in achieving the objective.

# Summary Opinion

Based on the results of the work performed within the scope of the audit, select Campus entities have certain areas where internal controls could be further strengthened. The audit observations are summarized below.

Project Planning

Real Estate Services management should continue to work with the Administrative Policies & Compliance Office to update the delegations of authority to reflect the current organizational structure.

FM management should ensure that Environmental Impact Classification (EIC) forms are prepared for each University project, when applicable.

Project Oversight and Monitoring

FM management should ensure job descriptions for Facilities Project Management positions clearly outline the required education qualifications, in accordance with relevant job standards.

The audit results and corresponding recommendations are detailed in the following sections of this report.

# Audit Results and Recommendations

| # | OBSERVATION andCRITERIA, where applicable | RECOMMENDATION | MANAGEMENT’S RESPONSE |
| --- | --- | --- | --- |
| PROJECT PLANNING |
| Audit work included the following:For a sample of four delegated units, including projects related to H&HS, FM, Real Estate department, and Asset Management:* Reviewed departmental procedures and guidelines relating to project planning.
* Reviewed one property acquisition and three capital projects completed in fiscal year 2022-23 to verify whether due diligence was performed for property transfers and studies were conducted in the project planning phase, including analysis for California Environmental Quality Act (CEQA) compliance, and fire and life safety reviews.
* For the selected sample, verified whether project approval was obtained in accordance with the University Delegation of Authority for Capital Projects and the UC Facilities Manual, and where applicable, determined whether a predesign conference was held after the project program was completed to confirm that all issues were addressed in the program.
* Discussions were held with Capital Programs, H&HS, FM, Real Estate management, and the Administrative Policies and Compliance Office.
* Reviewed relevant policies, including UCLA Delegation of Authority for the Execution of Construction Contracts (UCLA DA 820.66, UCLA DA 820.71, DA 820.78, and DA 820.80), the UC Facilities Manual, Volume 2, Chapter 5: Environmental Issues and CEQA Compliance, Chapter 6: Pre-Design Phase, Chapter 7: Capital Planning & Real Estate Approvals, Volume 3, Chapter 1: Project Design Phases, Chapter 5: Design Reviews and Approval, and Volume 6, and Chapter 6: Real Property Matters.

Observations identified are detailed below. |
|  | Delegation of Authority (DOA):The delegation of authority related to Real Estate Services, particularly Asset Management, is outdated, as it delegates authority to a position that no longer exists. Specifically, the DOA delegates authority to the Executive Director of Campus Service Enterprises (CSE) for individual project costs up to $3,000,000, however, the Executive Director retired in 2020, the position remains vacant, and the CSE department has been dissolved. There should be greater clarity regarding responsibility for overseeing this delegated authority.It is noted that Real Estate Services and the Administrative Policies & Compliance Office are currently working on updating the delegation.\_\_\_\_\_\_\_\_\_\_\_\_\_\_**Criteria:** UC Presidential Policies, Components of and Approval Process for Presidential Delegations of Authority, Composing a Delegation of Authority and Redelegation of Authority, “Hierarchy: The President delegates authority to a direct report, who may (if allowed) redelegate that authority to their direct report, and so on. The same principle applies to delegations and redelegations within a campus.”UC Presidential Policies, Components of and Approval Process for Presidential Delegations of Authority, Issuing and Retiring Delegations of Authority, “The office with functional responsibility over the authority being delegated is responsible for collaborating with the University Policy Office to draft the delegation for the President's consideration.” | Real Estate Services management should continue to work with the Administrative Policies & Compliance Office to update the delegations of authority to reflect the current organizational structure. | Management Action Plan: Real Estate Services will continue to work with the Administrative Policies & Compliance Office to update the delegations of authority to reflect the current organizational structure.Planned Implementation Date: January 31, 2025Responsible Party/Point Person: Real Estate Services Executive Director |
|  | CEQA Compliance - Environmental Impact Classification:For one sampled project (Intramural Field Replacement project) completed in fiscal year 2022-23 by FM, the Environmental Impact Classification (EIC) form was not completed. The UC Facilities Manual requires the completion of the EIC form for all University projects early in the planning process to ensure compliance with environmental regulations and to assess potential impacts on the environment. If a proposed project is determined to be exempt from CEQA, the EIC form and any necessary attachments must provide justification for the exemption, pursuant to the criteria set forth in the CEQA Statute and Guidelines.\_\_\_\_\_\_\_\_\_\_\_\_\_\_**Criteria:** UC Facilities Manual, section 2:5, “All University projects are required to comply with the California Environmental Quality Act (CEQA).”UC Facilities Manual, section 2:5.2.1 “The Environmental Impact Classification Form (EIC) is an internal University of California form that is used to determine whether a University project or action is exempt from CEQA, or if not, what environmental documentation is anticipated. The EIC is required to be included in the Program Planning Guide (PPG) for each project, or separately prepared if no PPG is required. If a project involves a Regental approval, or an Office of the President (OP) approval, concurrence, or review of the project’s environmental analysis, an EIC must be prepared and approved by the campus and then sent to OP Physical & Environmental Planning for concurrence. If a project does not involve Regental approval or Office of the President approval, concurrence, or review of the project’s environmental document, an EIC must be prepared by the campus environmental planner and signed locally.The EIC provides a brief description of the project, the type of environmental documentation anticipated for the project, and whether the project is consistent with the long-range development plan. If a proposed project is determined to be exempt from CEQA, the EIC and any necessary attachments must provide justification for the exemption pursuant to the criteria set forth in the CEQA Statute and Guidelines.” | FM management should ensure that EIC forms are prepared for each University project, when applicable.  | Management Action Plan: The one project that did not have an EIC form was an insurance claim and the client incorrectly advised that an EIC form was not necessary. Moving forward we will ensure an EIC form is completed for all projects. This check is part of the standard workflow for major capital projects and is reviewed by Capital Programs for compliance. Planned Implementation Date: CompletedResponsible Party/Point Person: Design and Project Management Director  |
| PROJECT OVERSIGHT AND MONITORING |
| Audit work included the following:For H&HS and FM:* Reviewed a judgmental sample of eight active Project Managers as of June 2024 to determine whether education and experience requirements were reflected in the job descriptions.
* Discussions with management to determine whether:
	+ Project Managers receive training related to design management and contract administration. Reviewed materials pertaining to training, including DPM Learning Sessions and the Consultant Presentation Calendar, the H&HS on-boarding template, departmental procedures, the UCOP Capital Programs Institute program overview, and UCLA Capital Programs Contracts Administration training session material.
	+ Management is monitoring projects, including reviewing project schedule, budget, and scope.
* Reviewed relevant policies, including the UC Facilities Manual, Volume 5, Chapter 14: Project Monitoring, UC Personnel Policies for Staff Members-36: Classification of Positions, and UCLA Campus Human Resources Procedure 36 – Classification of Positions.

Observations identified are detailed below. |
|  | Job Description - Education Requirement:For the selected sample of eight active Project Managers, one job description for a Facilities Project Management Specialist 4, effective March 2023, did not include the education requirements specified in the Career Tracks Job Standards.FM management explained that in the prior Human Resources (HR) system, PeopleAdmin, there was no designated educational requirement section, and the principal project manager job description in the system did not specify an educational requirement. However, JDXpert, the new HR application for job descriptions requires the inclusion of educational requirements, which will help to ensure compliance with current standards.\_\_\_\_\_\_\_\_\_\_\_\_\_\_**Criteria:** UCLA Campus Human Resources Procedure 36 - Classification of Positions, section C.1, “Job descriptions shall include: … 4. Requirements (skills, knowledge, ability, and behavioral competencies)”Career Tracks Job Standards, Job Title Facilities Project Management Specialist 4, Education 1, “Bachelor's degree in related area and / or equivalent experience / training.” | Facilities Management (FM) management should ensure that job descriptions for Facilities Project Management positions clearly outline the required education qualifications, in accordance with relevant job standards. | Management Action Plan: We will update all PM job descriptions to clearly outline the educational requirements as each one is released for solicitation. Planned Implementation Date: CompletedResponsible Party/Point Person: Facilities Management, Design & Project Management Director |
| COMPLIANCE WITH DELEGATION OF AUTHORITY REQUIREMENTS |
| Audit work included the following:* Discussions with H&HS and FM, and review of project summary reports as of May and June 2024, to determine whether procedures and controls are in place to monitor compliance with authority limits over total project costs and to address deviations when they occur.
* Reviewed listings of 12 sampled capital projects from H&HS and FM that were completed in fiscal year 2022-23, to determine whether H&HS and FM are adhering to the delegated authority limits over individual total project costs. The sampled projects had a total project cost between $560k and $3m.
* Reviewed UCLA Delegation of Authority for the Execution of Construction Contracts and Appointment of Design Professionals (UCLA DA 820.66, UCLA DA 820.71, UCLA DA 800.69, and UCLA DA 800.71)

No significant control weaknesses were noted in this area. |

241104-2

REP