



PRESS RELEASE

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For Immediate Release

Audit Finds Long Beach Airport Capital Improvement Projects Totaling \$105 Million Need Better Oversight Airport Agrees to All Audit Recommendations to Improve Management Over Construction Project Costs, Quality & Timeline

Long Beach, CA – Long Beach City Auditor Laura Doud today released the [Long Beach Airport \(Airport\) Construction Performance Audit](#) conducted by PMA Consultants, a construction project management consulting firm, on behalf of the City Auditor's Office. The Airport - a self-supporting enterprise of the City of Long Beach which does not receive local tax dollars - is undertaking a multi-year, multi-phase modernization Airport Capital Improvement Plan (ACIP) totaling over \$105 million. The audit focused on five of the ACIP construction projects estimated at over \$45 million that were started, complete, or still underway from Fiscal Year 2016 through Fiscal Year 2019. These five projects include taxiway and runway improvements, a new ticketing lobby, a consolidated baggage claim and checked baggage system, and terminal beautification improvements. The audit found improvements are needed in the Airport's oversight and management of project cost, timeline, quality control, and reporting.

"I am pleased the Airport has agreed with all 14 audit recommendations and stated they are already benefitting from the integration of several suggested project management tools," said Long Beach City Auditor Laura Doud. "Due to the significant cost and scope of ongoing construction projects at the Airport, the audit findings warrant immediate attention and action."

The audit recommended improvements based on project management best practices, including:

Documenting Project Risk Management Processes and Including Contingencies Based on Risk:

Risk registers to identify and evaluate risks and mitigation measures need to be standardized and developed for all projects. Additionally, contingency setting needs to be tied to project risk. The Airport has historically used standard contingencies, either 10-15% or 25% of project costs for two categories of construction work. While these contingencies may work for smaller, repetitive projects, an industry best practice for larger, more complex projects is to base contingency on the risks for that given project. Lacking adequate risk management processes and contingencies greatly increases the likelihood of cost and schedule overruns.

Documenting and Tracking Project Change Orders:

Change orders need to be reported and tracked throughout all projects to support quality control and mitigate cost overruns. These change orders must include categories such as unforeseen conditions, design error or omission which addresses design quality issues, and uncoordinated scope. On one of the projects audited that did have change orders, the change orders appear to be high at 25% of the original project contract amount and 80% of those changes were scope-related which could be indicative of inefficient and unfocused project management.

Configuring and Utilizing the Project Management Information System (PMIS):

The PMIS needs to be fully configured and consistently used to manage all project cost information in one central location. Project budgets, estimates, change orders, and invoices need to be updated in the PMIS on a regular basis. It is extremely important for on-time cost reporting to ensure that all invoices are entered upon receipt into the PMIS to capture "invoiced amount" as this is used to calculate the monthly contract cost estimates, based on which the budget variance and contract balance remaining is established. Without the use of a centralized PMIS, it is difficult to produce comprehensive project delivery reports that the Airport can use to compare budgeted, actual and forecasted costs, schedule, and quality metrics.

Developing Project Quality Management Processes and Conducting Formal Performance Reviews:

The Airport needs to establish a quality management plan to document and ensure consistent compliance to construction standards throughout the project. Such a plan ensures that quality and service level expectations of its major stakeholders – Federal Aviation Administration (FAA), airlines and travelers – are met. Additionally, the Airport should regularly perform project performance evaluations to assess each project against a set budget, schedule and scope baseline, and standards of execution. The lack of formal performance reviews increases the chance of not meeting key milestones and increases the risk of non-compliance to regulatory standards. This deficiency could cause re-work, which would result in costs that exceed original project estimates.

“We thank City Auditor Laura Doud for her team’s recommendations to improve our Airport Capital Improvement Plan,” said Long Beach Airport Director Cynthia Guidry. “We’ve worked closely with her team to make immediate changes to our construction program that will deliver the greatest value for our travelers and the general public.”

“As stewards of public resources, the City must ensure all public funds are spent on quality projects that are delivered in a timely and most cost efficient manner,” added Long Beach City Auditor Laura Doud. “As seen in our other audits – including Contract Administration Summary, Parks Maintenance, Job Order Contract, and Queen Mary Lease Financial Activities, as well as our current review of Queen Mary bond-funded critical repair projects – I have highlighted similar, recurring project oversight and management deficiencies. I will continue to raise these issues, so the City can address these risks.”

The complete Long Beach Airport Construction Performance Audit can be viewed [here](#).

About the Long Beach City Auditor’s Office

The Long Beach City Auditor’s Office’s mission is to make Long Beach better through independent audits and fraud investigations. The Office works to provide assurance City funds are spent as intended, promote transparency and accountability of City operations, and prevent fraud, waste and abuse of City resources. For more information visit CityAuditorLauraDoud.com and connect with the Office @LBCityAuditor on [Facebook](#), [Instagram](#) and [Twitter](#). Sign up to receive email [updates](#) and download the MyAuditor App at the [App Store](#) or [Google Play](#).

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