

2015 SLAA Report



Board of Governors of the California Community Colleges

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May 25, 2016

Michael Cohen, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Mr. Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the Board of Governors of the California Community Colleges submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact Mario Rodriguez, Vice Chancellor, Finance and Facilities, at (916) 324-9508, mrodriguez@cccco.edu.

BACKGROUND

The Board of Governors of the California Community Colleges shall provide leadership and direction in the continuing development of the California Community Colleges as an integral effective element in the structure of public higher education in the state. The agency has adopted the following mission statement: To empower the community colleges through leadership, advocacy and support.

What is the department's environment?

- Integrity and Ethical Values - The Chancellor's Office operates at an exceptionally high level of integrity and ethical values. The agency is driven by its mission statement and employees are very dedicated to higher education as a goal for all Californians. Honesty and transparency are both pervasive throughout the agency. Conflict of Interest training is provided regularly.
- The Board of Governor's has appointed Erik Skinner as the Acting Chancellor as of April 2016. Erik Skinner will be acting in place of Chancellor Brice Harris, who recently retired. Chancellor Brice Harris served as the Chancellor for the Board of Governors California Community Colleges over the past 3 years and previously served as the Chancellor for the Los Rios Community College District for 16 years. Acting Chancellor Skinner has served as the Assistant Secretary for Fiscal Policy in the Office of the Secretary of Education, advising the Governor and the Secretary of Education on K-12 and higher education policy. Erik Skinner joined the Chancellor's Office in 2007 as the Vice Chancellor of Finance and Facilities Planning. In 2013, he was promoted to serve as the Deputy Chancellor in the California Community Colleges Chancellor's Office. In this role, he oversees the following divisions: Academic Affairs, Student Services and Special Programs; Economic Development and Workforce Preparation; and College Finance and Facilities Planning. The California Community Colleges Chancellor's Office continues to operate efficiently during this transition period and continues to meet the needs of the students of the California Community Colleges throughout the state.
- Commitment and Competence - The Chancellor's Office continues to increase its commitment to competence, in particular its commitment to providing timely and useful performance reviews. Budget cuts have reduced the work force, but the employees who remain are extremely dedicated. A major turnover of staff due to retirements has created the opportunity to reevaluate position requirements and duty statements.
- Management's Philosophy and Operating Style - The management style is democratic and team-oriented as befits a higher education institution. The Chancellor's Office employs a larger than usual percentage of professional employees, designated as "Specialists". These employees are not required to work a regular forty hour week; instead, they must take as long as necessary to perform their duties at a high level. Management recognizes this situation and provides leadership and support but is not overly controlling. Because the management team is relatively small, all

managers provide hands-on support in the agency's work. There is frequent interaction among employees at various levels.

- **Organizational Structure** - The structure is appropriately centralized or decentralized given the nature of the tasks. The State has not provided sufficient training for managers; the Chancellor's Office has attempted to close the gap in multiple ways including the prior creation and implementation of a Leadership Academy.
- **Assignment of Authority and Responsibility** - Authority and scope of responsibility are determined by an individual's job responsibilities, knowledge, skill, past performance and enthusiasm. Job descriptions exist for all employees.
- **Human Resources Policies and Practices** - Policies and practices are primarily guided by state law, Department of Public Administration regulations and directives and the collective bargaining agreements. Supplementing these sources are formal and informal policy statements many of which have been reviewed or are scheduled for review.
- **Summary** - The Chancellor's Office decreased in size from approximately 245 employees in 2002 to approximately 141.80 today. This has had a dramatic and lasting effect on the agency's productivity and environment. Employees, by necessity, have pulled together to achieve the agency's mission. Chancellor's Office employees tend to remain with the office for many years, often until retirement, proof of the positive working environment. In 2008, the Chancellor's Office won an award from the Sacramento Area Human Resources Association for Excellence for a medium -sized agency.

RISK ASSESSMENT PROCESS

The risk assessment was performed by meeting with the Chancellor's Executive Cabinet to evaluate the general areas of high-risk and conducted one-on-one interviews with managers in areas identified as having high risk projects.

The tools used in assessing the potential vulnerable areas in the agency were surveys and interviews with management and staff. The criteria used to determine high risk areas were potential non-compliance with regulatory performance and reporting requirements which may result in decreased funding for the agency programs, and other elements that would negatively impact the mission of the agency.

There are internal controls in place in the general areas of operations to provide reasonable assurance that risks will be at a minimum level. Management has implemented stronger internal controls in identified high risk areas and will continuously monitor and assess its effectiveness. The agency is aware that there are some risks that are inherent to smaller agencies in which controls are in place to minimize the risk to tolerable levels to allow for the agency to meet its objectives with few disruption.

The results of these evaluations are presented in the executive cabinet meetings on a quarterly basis and adjusted as needed.

EVALUATION OF RISKS AND CONTROLS

Operations- Internal- Staff—Key Person Dependence, Succession Planning

The Chancellor's Office currently operates with 160 employees and oversees a total of 113 colleges within the 72 Community College Districts. This oversight encompasses the College Finance and Facilities Planning, Student Services and Special Programs, Academic Affairs, Workforce and Economic Development, Institutional Effectiveness and Technology, Research and information Systems Divisions. With a minimal number of staff, the risks identified is succession planning for loss of staff in key positions.

1. Employee turnover due to retirements and employees leaving the Chancellor's Office for employment at community college districts which offer more competitive and attractive compensation creates a challenge for the Chancellor's Office to retain employees. The

employee turnover results in the loss of technical expertise and institutional knowledge and delayed processing of documents or reporting which can adversely affect funding for the community college programs.

2. Employee turnover and the lack of cross-training creates a steep learning curve for new staff and may result in delays and increased errors in daily processes.

To address succession planning, the human resources unit formed a committee to streamline testing for the Specialist and Administrator positions in the agency to create a larger pool of candidates for these positions and provide promotional opportunities for current employees.

The Chancellor's Office has implemented cross-training for employees and is a continuous work in progress as it is a goal to establish this as a common practice to assure exceptional delivery of services to both internal and external customers of the Chancellor's Office. Although there are high risks associated with operating with a small number of employees, one of the benefits is that middle and upper management is more accessible to staff if assistance is needed.

Reporting- Internal- Information Collected—Inadequate, Inaccurate, Misinterpreted, Untimely

Weak internal controls were identified in the Academic Affairs unit in its curriculum approval process as well as the tracking of grants/contracts in the student services programs at the Chancellor's Office.

The lack of controls in these areas result in the loss of paper applications, ready access to grants and departmental information, and data security. Without a better tracking system in place, this can potentially result in classes taught at the colleges without proper review and approval from the Chancellor's Office and overspending or underspending of grants.

As a result of the weaknesses in these areas, the Chancellor's Office may lose funding for program areas because of the inability to produce accurate reports and meet reporting deadlines.

The Chancellor's Office currently outsources the process for managing curriculum but is also working with Butte College technology center to phase out the current system and create a new curriculum inventory system for the the agency. This system will allow for tracking the progress of curriculum approvals electronically and avoid the loss of applications and improve communications between the Chancellor's Office and the districts.

The agency's Information Technology (IT) Unit is currently working on a database to house and track all activity and reporting related to grants/contracts. This will allow for management to access up to date information on grants and ensure compliance with all applicable laws and regulations and ensure timely reporting.

Reporting- Internal- Information Communicated—Inadequate, Inaccurate, Misinterpreted, Untimely

Financial reports were not distributed to appropriate staff, records retention schedules were not current and management report were incomplete.

The lack of accurate, reliable and timely information will hinder the ability of managers to make informed decisions for the operations of their unit. This may result in less effective and efficient operations of student programs and the agency as a whole.

The IT Unit has created a program in which fiscal data from the CalSTARS system can be imported to a database where managers can easily access manager cost reports to review fiscal activity for their programs. This program has been in place for the past year and has

proved to be effective in assisting management in critical operating decisions.

Due to the departure of key positions in the Chancellor's Office, the updating of the agency's records retention schedule project was temporarily at a standstill. The updating of this schedule is a work in progress and the designated staff will work directly with the Secretary of State to ensure compliance with the state's document retention requirements.

ONGOING MONITORING

Through our ongoing monitoring processes, the Board of Governors of the California Community Colleges reviews, evaluates, and improves our systems of internal controls and monitoring processes. The Board of Governors of the California Community Colleges is in the process of formalizing and documenting our ongoing monitoring and as such, we have determined we partially comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of Board of Governors of the California Community Colleges, Erik Skinner, Acting Chancellor, is responsible for the overall establishment and maintenance of the internal control system. We have identified Mario Rodriguez, Vice Chancellor, Finance and Facilities, as our designated agency monitor(s).

Frequency of Monitoring Activities

The Board of Governors of the California Community Colleges will incorporate formal ongoing monitoring processes with its current monitoring practices, which include surveys that are completed by each division to determine if adjustments or improvements to its processes are necessary. Scheduled weekly meetings are held with the Chancellor and his Cabinet where management may discuss internal control issues that arise. The frequency of the monitoring will be determined by the level of risk, priority, organizational objectives, time-table to resolve the issue, and reporting deadlines.

Reporting and Documenting Monitoring Activities

Key staff in each of the divisions within the Board of Governors of the California Community Colleges will participate in the completion of the surveys and evaluations as part of the ongoing monitoring process and report potential risks and propose corrective actions to management. Each division maintains their documentation of their ongoing monitoring activities and results. These monitoring results will be communicated verbally and in writing to all levels of management and staff as necessary. Management will meet regularly with staff to assess the effectiveness of the internal controls and ensure that the implementation of corrective action is timely.

Procedure for Addressing Identified Internal Control Deficiencies

The Board of Governors of the California Community Colleges is in the process of incorporating formalized procedures to its existing practices to address identified internal control deficiencies. These procedures will include: 1) the method of communication to staff and all members of management related to internal control deficiencies, 2) the methodology used to modify and strengthen internal controls, and 3) an acceptable timeframe to implement the corrective action plan. These procedures will ensure that all staff and management are engaged in this process to establish accountability and achieve the organization's goals in the most effective and efficient manner.

CONCLUSION

The Board of Governors of the California Community Colleges strives to reduce the risks inherent in our

work through ongoing monitoring. The Board of Governors of the California Community Colleges accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

Erik Skinner, Acting Chancellor

cc: Department of Finance
Legislature
State Auditor
State Library
State Controller
Secretary of Government Operations