FCMAT
FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM
CSIS California School Information Services

June 8, 2017

Jamillah Moore, Ed.D., President
Cañada College
4200 Farm Hill Boulevard
Redwood City, CA 94061

Dear President Moore,

Cañada College (college) has requested that the Fiscal Crisis and Management Assistance Team (FCMAT) help the college establish and maintain sound financial and budgetary conditions and management by reviewing certain functions and processes. As documented in the study agreement dated January 30, 2017, FCMAT is to review the following:

1. Budget development and adoption
2. Budget monitoring and updates
3. Internal controls in the following areas, sufficient to discourage and detect fraud:
    - Use of district credit cards
    - Associated student body, foundation and other extra-curricular funds
    - Purchasing processes, contracts, MOUs
    - Grant proposals, hiring decisions, and monitoring

The college is one of three in the San Mateo Community College District (district). FCMAT, in conjunction with Cambridge West Partnership, LLP, spent several days at the college meeting with college administrators, and with college and district employees; attended a college Planning and Budget Council (PBC) meeting; researched online college and district policies, procedures, audits, and accreditation materials; conducted several phone interviews; and followed up on several items by email with college and district staff. All employees interviewed were cooperative and informative. Employees were positive and willing to discuss the policies, procedures and practices in their areas.

The college opened in 1968 and is located in Redwood City, just south of San Francisco and north of San Jose. In 2015-16 the college served slightly more than 4,000 full-time equivalent students (FTES). Like many other California community colleges, the college's enrollment has been declining since the beginning of the post-recession economic recovery. The largest student population subgroups are Hispanic (more than 35%), white (30%), and female (60%). The student population is younger than is usually found in California community colleges: 27% of students are 20-24 years old, and 21% are under 20 years old. For fiscal year 2016-17 the unrestricted general fund expenditure budget, which is the college's main operating budget, is approximately $24.8 million. As is common in California community colleges, a high percentage of classified and faculty employees have been with the college long term, but the same is not true for top administrators. For example, the president has been with the college less than one year, and only one of the three vice presidents has more than five years of seniority. In contrast, nonadministrative staff that FCMAT interviewed had up to 30 years of service at the college, and in one case 20 years in their current position. The average faculty seniority is slightly more than 10 years, with 43% having more than 10 years; the average seniority of classified employees is slightly less than 10 years, with more than 33% having more than 10 years.

Because the college is small and several of its key classified employees have been there for many years, processes and procedures are often verbal and informal rather than documented. Some business and administrative procedures are on individual department web pages, but they are not consolidated into one set of college procedures or compiled in a single document or site.

The college does not have a clearly understood or documented procedure for developing, approving, documenting and implementing collegewide procedures. The *Participatory Governance Manual* contains excellent general collegial consultation and governance participation principles, but it does not include a way for the college to develop procedures through the collegial consultation process. Procedures in the manual should outline the process for developing, vetting, approving and documenting college procedures that affect more than the originating department.

FCMAT suggests developing administrative procedures (APs) because they would better describe how to perform the tasks needed to accomplish the intent of a board policy (BP), especially when those tasks involve more than one department. A governance manual specifies how BPs are to be developed and recommended to the board, as well as how APs are to be developed and approved, but it does not address how departments or individuals should perform tasks; for this, the APs themselves are needed.

College procedures such as the following need to be developed:

1. The criteria for when an individual department should develop and use desk manuals for its own procedures and for when it needs to use a documented college procedure to develop processes that affect more than one department.

2. A definition of the process for developing and approving college administrative procedures. The process should provide for a documented review of the proposed procedure by all constituencies that would be affected by the procedure; a documented review by a collegewide governance group such as the PBC; and final approval by the college president.

Because there is no requirement and procedure to ensure that all funding requests be directed through a single entity such as the college business office, the risk of fraud exists. For example, a program could obtain college general fund, categorical, foundation and trust fund funding and/or reimbursements for the same activity, such as attendance at a conference or an outreach event.

Use of the district's Procards (credit cards) is excessive and may be detrimental to the college's attempts to contain expenditures within budgets. Also, a large percentage of purchases are for food and beverages, which is not common in California community colleges. Use of Procards will be discussed in more depth later in this letter.

FCMAT found no evidence of accountability for departments that overspend their budgets. If a department overspends its budget is by the end of the fiscal year, the college does not have a procedure to determine whether the amount of that overage will be deducted from that department's available budget for the following year.

## Unrestricted General Fund Budget Development and Adoption

The California Community Colleges Chancellor's Office (CCCCO) distributes all state unrestricted general funds to community college districts, not to individual colleges. Because the college is one of three in the district, the vast majority of its funding comes from the district through a resource allocation model, and is considered unrestricted. The state funds that come directly to the college are primarily categorical and thus highly restricted in use and subject to special reporting requirements. The federal funds received are for financial aid and grants and are also highly restricted, subject to special reporting requirements, and subject to specific audits in addition to the district's required annual independent audit.

The college's general fund unrestricted budget processes are neither transparent nor well documented. This is in part because of the small college environment with numerous long-term employees, many of whom have worked together for a long time and have not needed formal procedures.

The college's budget is developed both from the top down (that is, starting with top college administrators) and from the bottom up (starting at the department level) simultaneously. Although the two processes merge in the end, they take different routes. Typically, the college administration establishes the assumptions on which the budget will be built, such as the FTES needed to maximize funding and the expected unrestricted general fund revenue, and informs each division and department how much budget it has to work with; the departments and divisions define how that budget will be used. In addition, in the early stages, the bottom-up process (ideally via program review) identifies how much a division or department thinks it needs and why; the top-down then informs the division or department what it will actually receive.

Collegewide top-down budgeting begins when the college receives its projected unrestricted allocation from the district and then, based on input received from the college cabinet, allocates that budget to the college divisions for discretionary costs. In reality, these allocations are minimal because fixed costs — such as permanent employee salaries and benefits, adjunct faculty costs, contracts, utilities and other ongoing expenses — are funded first.

A critical decision in the top-down process is the amount to allocate for hourly instruction costs, or adjunct faculty, to complement the regular faculty to teach the targeted number of full-time equivalent students (FTES) set by the district. The decision about the size of the schedule, and therefore the adjunct faculty budget, is also both the earliest decision in the process and the major connection between the top-down and the bottom-up processes. The top-down process involves setting the FTES goal and the size of the schedule.

The role of the bottom-up part of the budgeting process is to allocate the adjunct faculty budget among the instructional departments based on student enrollment, and allocate the remaining funds to discretionary accounts such as supplies and printing. The reality is that the total amount budgeted for adjunct faculty is set when the budget is developed, then distributed to the different departments or accounts after the class schedule is set and specific assignments are made.

The collegewide budget development is characterized by a dissemination of information from the top down that does not include active participation from constituents. For example, as documented in PBC minutes and verified in multiple interviews, the PBC does not actively participate in budget development; rather, it acts as a conduit that receives budget information and then its members disseminate it to their constituents. The college needs to discuss and consider redefining the role of the PBC so that it has an active and participatory role through the college's governance structure rather than simply serving as a conduit for information. FCMAT also found that various budgeting functions are done separately and in isolation from one another: the general fund budget is done separately from the allocation of requests from program review, and new personnel requests are done in yet another separate process. None of these processes work together.

Managing and monitoring enrollment is a critical part of budget development and monitoring. The district and the college have robust and relatively easy-to-use enrollment monitoring and management tools. The Argos Dynamic Enrollment Statistics Report (DESR) dashboard program is part of the Banner financial system and, assuming employees have had training, provides easy-to-use tools to monitor enrollments and aid in effective schedule development. The Simplified Data Access tool (SDA) is a locally-modified Microsoft suite product that the curriculum and instructional specialist uses to extract live data from the Banner system to closely monitor schedule development and to distribute daily and weekly enrollment updates during the critical pre-census period of the schedule management process. After the pre-census period, updates are provided upon request. No other employee is trained to perform the curriculum and instructional specialist's duties if needed. One clerical support employee can perform some basic tasks, and the curriculum and instructional specialists from the other colleges in the district fill in when needed. More formal cross training and staff development are needed to ensure backup for the curriculum and instructional specialist position so that all of the position's critical duties are completed regardless of absences.

The college needs to tie enrollment management more closely and formally to budget development and management processes so that there is a clear connection between enrollment management and budget. Strategic enrollment management planning must be informed by data and align with the institution's fiscal, academic, and delivery resources in a changing environment to fulfill the college's mission and ensure its long-term enrollment and fiscal health. All effects of enrollment decisions on revenue must be taken into account when making decisions about items such as course offerings and their timing.

Neither the *Process for Developing Organization Budgets document, nor the Budget Development Tasks* document mention linking the budget to the strategic plan and institutional program review. FCMAT attended a PBC meeting at which nonprioritized budget augmentation requests were reviewed. It appeared that budget augmentations identified by departments and divisions in the annual budget process were neither prioritized by the departments or divisions based on the strategic plan nor included in the bottom-up allocation budget process. The college needs to connect program review to institutional planning and decision making.

All steps in the budget development processes, including resource allocations, need to be tied to the results of the college's institutional program review and its strategic plan. It would benefit the college to create a procedure for budget development, monitoring and adjustment. This procedure would outline how priorities are to be established and funded at the department and division levels when needs are identified in the institutional program review process and/or the college's strategic plan; the result would be that both plans are directly integrated into the college's budgeting processes. The correlation between budgeting and these plans is not mentioned in resources that FCMAT reviewed, including the *Process for Developing Organization Budgets and the Budget Development Tasks* documents.

## Budget Monitoring and Updates

The college has adequate tools to monitor its unrestricted general fund budget. Department-, program- and division-level staff that FCMAT interviewed who work with the Banner financial system are mostly satisfied with the system's output and accessibility; however, some departments manually transfer data from Banner to Excel spreadsheets so program administrators can see a consolidated view of all the programs and the multiple funding sources involved. For example, if an administrator wants to review the total fiscal picture for counseling activity, sources such as the unrestricted general fund, Student Success Services and Programs (SSSP), Extended Opportunity Program and Services (EOP&S), and Cooperative Agencies Resources for Education (CARE) would also be involved. Banner does not have an easy-to-access report that includes all those funding sources, nor does the college have a program to automatically transfer the raw data from Banner to an Excel spreadsheet. It may benefit the college to explore the possibility of creating custom Banner reports that provide a consolidated view of all the programs and the multiple funding sources involved in an activity, or to create a program to automatically transfer the raw data from Banner to an Excel spreadsheet. Either of these solutions would eliminate the need to manually enter data and help ensure that the data used matches that in the district's financial system. The district and college should work together to develop the reports needed and thus eliminate the perceived need for standalone spreadsheets that may not accurately reflect the real-time status of the official district financial systems.

The vice president of administrative services and the college business officer meet with the deans, vice presidents and president at least quarterly to review the college's budget. In addition, college budget status reports are presented to the PBC at least three times a year, typically in January, May and September. It would benefit the college to consider providing the deans, vice presidents, the president and the PBC with more frequent and formal enrollment and expenditure status reports that coincide with its annual enrollment and expenditure patterns. An example of an important time to report enrollment is just after the census date each term; important times for reporting expenditures include when the district files the CCFS 311 reports, when the college files the CCFS 320 reports, and after the majority of the hourly instructional assignments have been completed each term. The college must coordinate enrollment management and budget because enrollment affects many budget factors. Not only does enrollment affects the district's revenue and therefore the income available to the college, but enrollment efficiency factors such as fill rates and productivity indicate how well the college is spending available funds.

Primarily because of the wide use of Procards, it is possible to overdraw nonpersonnel accounts. FCMAT found no evidence of a college policy or procedure regarding overspending, except in information on federal grant compliance.

Both the Banner financial reporting system and the Argos DESR system in Banner provide easy-to-use tools to monitor grants. With the exception of the Grants Development Management section of the college's website, FCMAT was not able to find comprehensive documentation of budget management processes, procedures and timelines.

## Internal Controls

Internal controls provide the means by which an organization's assets and resources are directed, monitored and measured, and play an important role in protecting an organization from fraud, abuse or misappropriation of resources. Internal controls help ensure efficient operations, reliable financial information, and legal compliance; they also help an organization obtain timely feedback on its progress in meeting its goals.

An organization establishes internal controls for its operations by setting goals, objectives, budgets and performance expectations. Several factors influence the effectiveness of internal controls in an organization, including the social environment and how it affects employees' behavior; the availability and quality of information used to monitor the organization's operations; and the policies and procedures that guide the organization.

The following are some of the common deficiencies and omissions that can cause internal control failures:

- Failure to adequately segregate duties and responsibilities related to authorization of financial transactions.
- Failure to limit access to assets or sensitive data (e.g., cash, fixed assets, personnel records).
- Failure to record transactions, resulting in a lack of accountability and the possibility of theft.
- Failure to reconcile assets with the correct records.
- Unauthorized transactions, which increase the likelihood of skimming, embezzlement or larceny.
- A lack of monitoring or implementation of internal controls because of a failure by the governing board and management to do so, or because personnel are not qualified.
- Collusion among employees when they have little or no supervision.

A system of internal controls consists of policies and procedures designed to provide the governing board and administration with reasonable assurance that the organization can achieve its goals and objectives. Traditionally referred to as hard controls, these include segregation of duties; limiting access to cash; management review and approval of transactions; and reconciliations. Other types of internal controls, typically referred to as soft controls, include management tone; performance evaluations; training programs; and maintaining established policies, procedures and standards of conduct.

Under the guidance of the College Internal Audit Group (CIAG), which the district formed in 2008, special internal audit task forces are created to conduct various types of internal auditing and reviews. The CIAG evaluates the effectiveness and efficiency of business processes, internal controls and systems, and identifies opportunities for improvement. One major purpose of an internal audit is to prevent and detect fraud, embezzlement and misappropriation of assets. It is the policy of the district to provide an internal auditing function to assist the management by reviewing all of its operations at regular intervals, and to provide information, analyses and recommendations concerning the activities being reviewed.

FCMAT's review of the CIAG's activities revealed only one incident: the theft of a computer at the college in November 2016.

## Procurement Cards (Procards)

Procards are typically issued to employees so they can make purchases from vendors that do not accept purchase orders, or to expedite purchases, such as conference registration fees.

Even taking into account the district's policy of encouraging the use of Procards, the number of cards issued is high: 74 cards for 184 regular employees, or 40%, at the time of FCMAT's visit. FCMAT's concerns are that these cards make it possible for employees to make expenditures in excess of available budgets, and to make inappropriate purchases.

In 2015-16 the college's total Procard charges were $516,500. Other observations concerning the 2015-16 use of Procards include:

- An average of 59 transactions per card with average annual charges of $9,061.
- The annual amount charged ranged from $0 to $45,068; seven cards had annual charges of less than $1,000.

- Of the approximately 3,253 transactions, approximately 14% were for locally purchased (not travel- or conference-related) food and beverages. The California Constitution, Article XVI, Section 6, known as the gift of public funds rule, restricts the use of public funds or items of value to benefit any individuals. Because of this, the college's non-classroom-related food and beverage purchases warrant closer scrutiny and a review of college procedures and enforcement.
- Of the 3,253 transactions, approximately 33% were from two vendors: Office Depot (19%) and Amazon (14%).

When employees are issued Procards, they are personally responsible for guaranteeing that all charges are for appropriate district expenses, purchases are within budget limits, and the purchase does not violate any other law, regulation or policy of the district. However, Procard purchases can be made without prior authorization or encumbrance, so they can easily exceed budgeted funds. Documentation indicates that the college has canceled Procard privileges for some employees who abused the cards; however, it also indicates that a small number of employees who have chronically violated the regulations are allowed to continue using the cards.

The district encourages the use of Procards because they help it do the following to enable more cost-effective purchasing:

- Allow time-sensitive and emergency purchases
- Reduce purchasing processes, related paperwork and staff time
- Automate and distribute accounting tasks
- Facilitate conference attendance and related travel
- Accommodate prepayment purchases
- Expedite vendor payments

Cardholders are asked to keep receipts and statements for three years, unless the requirement is longer for purchases related to federal or state grants. Those receipts and statements are to be kept in each cardholder's office.

The district's *Procurement Card Users Guide* has the following criteria for determining who is eligible for a Procard:

- Employees who are required to make purchases on behalf of the district, and
- Who are permanent employees (permanent employees are employees who have passed their probationary period), and
- Whose assignments are at least 50% full-time

Although these criteria are documented and available, FCMAT found a perception among employees that having a card is more of a status symbol; not having a card is perceived as an indication that the employee is not trusted or valued.

Cardholders are responsible for ensuring that the card is used in compliance with the district's program guidelines and purchasing policies and procedures. Purposeful or habitual misuse of a card will subject the employee to discipline or dismissal or prosecution. The *Procurement Card Users Guide* also states that the procurement card may be revoked for any of the following reasons:

- The card is used for personal or unauthorized purposes.

- The cardholder fails to provide, upon request of the district, receipts, statements or related documentation upon an audit.
- The card is used to purchase alcoholic beverages or any substance, material or service, which violates policy, law or regulation pertaining to the district.
- The cardholder allows the card to be used by another individual.
- The cardholder splits a purchase to circumvent a purchase limit assigned to the card.
- The cardholder uses another cardholder's card to circumvent a purchase limit assigned.
- The cardholder uses the card to purchase gratuities and gifts.
- The cardholder does not adhere to the procurement card policies and procedures.
- The procurement card is the property of the bank and it may, at any time, revoke card privileges under the provisions of its policies and procedures.

The procurement card procedures should include clear criteria and processes related to the issuance of procurement cards, specifically the qualification requirements for receiving one and the decision-making process.

Each Procard cardholder receives a handbook when they are first issued their card, and each is required to sign the district's Procard user agreement. Copies of the signed agreements are retained in both the college business office and the district office. The agreement is not signed annually. Prior to any Procard purchase, each cardholder is supposed to determine whether the budget has sufficient funds to pay for the purchase; however, there is no mechanism to prevent a purchase that exceeds the available budget. Once a purchase is made, the cardholder must ensure that the goods are received and that the invoice and any other supporting documents are filed at the cardholder's site or department, with proper account codes referenced. Cardholders or clerical staff are required to prepare timely journal entries to charge the applicable account codes for items purchased and credit the clearing account.

Although there is no formal college policy or procedure that addresses the auditing of Procard use, there are multiple levels of detailed college and district auditing practices in the Procard Document Management Procedures section of the district's public SharePoint website. These state that a cardholder must retain original card statements and original detailed receipts with a description of the purchase, and must provide these upon request for audit purposes. Routine audits can be conducted at random. Although the website states that these audits can happen monthly, FCMAT's interviews revealed that they happen at most twice per year. If irregularities are found during an audit, the cardholder's card is subject to revocation, and the employee can be prosecuted for any illegal or unauthorized purchases. According to the college business office staff, no cards were revoked in 2015 and one was revoked in 2016. Cards with limited usage are not revoked.

## Associated Students of Cañada College

The Associated Students of Cañada College (ASCC) budgeting process is under the direct supervision of the student life and leadership manager, who reports directly to the vice president of student services. As of March 19, 2017 the total budgeted revenue was $80,000. The ASCC budget processes are transparent and well documented. The budget link on the ASCC web page on the college's website lists every transaction, and the ASCC board minutes document the approval of all budgets and expenditures. The online minutes document that a detailed budget and expenditure status report is presented to and adopted by the ASCC board monthly. The minutes also document that checks are not processed without ASCC board approval; senior college administrator approvals and ASCC board approvals can be found on the check request forms. Checks are prepared by the college's accounting office.

FCMAT found supporting documentation with all checks, in compliance with district board policies and administrative procedures and ASCC procedures. Although the scope of FCMAT's review did not include providing full fiscal audits, the documents and resources reviewed related to ASCC expenditures indicate that there are adequate internal controls sufficient to discourage and detect fraud.

All ASCC proposed contracts are processed in the same manner as other college contracts, which is clearly outlined in the *User Guidelines for Contracts and Insurance*. These guidelines state:

> All district contracts must be reviewed by the College Business Office and the District Office and must be signed by a board authorized signatory – generally the Deputy Chancellor, the Executive Vice Chancellor or the Director of General Services.

Documentation also indicated that the student life and leadership manager conducts budget management and expenditure approval training for the ASCC board each term.

The ASCC accounting and budgetary practices are exemplary. However, the QuickBooks software used for ASCC budgeting and accounting is freestanding and has no way to share data with the district's Banner enterprise system. QuickBooks is simple and makes it easy to train new staff, but it could raise questions about security and about whether it should link to the district's main accounting system and thus its official and audited financial records. It would benefit ASCC and the college for ASCC to work with the college's technology department to explore the feasibility of ASCC using the Banner financial system rather than a separate accounting system. A feasibility study should prioritize both fiscal accountability and the functionality and ease of use ASCC requires.

## Foundation

The college does not have its own foundation; rather, foundation activities are conducted as part of the San Mateo County Community College Foundation (SMCCCF), which is a nonprofit organization under Internal Revenue Service (IRS) Code Section 501(c) (3). The district has determined that the foundation does not meet the criteria for the district's governing board to significantly influence its operations and accountability for fiscal matters, or the criteria for inclusion as one of the district's reported entities, so is not part of the district's financial reports. The foundation is dedicated to providing assistance to the colleges' students, teachers, and programs. The foundation's financial activity is not included in the district's annual financial audit report. The three most recent annual audits of the foundation have had no findings concerning issues related to possible misuse or misallocation of funds.

The foundation's budget, agendas, minutes, policies and procedures are not on the foundation's section of the district's website. At the very least the Ralph M. Brown Act has been interpreted to require that California community college foundations comply with public meeting requirements of the act, which include posting agendas. Best practice would include also posting meeting announcement and minutes as well.

The foundation's expenditure approval process requires signatures by both the college business manager and foundation's executive director for amounts up to $5,000; amounts over $5,000 also require the signature of the foundation's treasurer (who is also the district's executive vice chancellor).

Neither the district nor the college has a policy and procedure that includes the criteria for approving and conducting college-level fundraising activities and specifies where the proceeds of such activities are deposited. Such proceeds are usually deposited either in the foundation account with an administrative fee, or in a college trust account with no administrative fee. It would be beneficial for the college and/or the district to have a policy and procedure that gives guidance about what, if any, college fundraising activities must be coordinated with, or operated in conjunction with, the foundation.

The college receives two categories of funds from the foundation: scholarship, and program grants. The college's students received $182,708 in scholarships in 2016 and have received $192,306 so far in 2016-17. Those funds go to the college's financial aid office and are subject to both the foundation's and the district's annual audit. The three most recent annual audits for both the foundation and the district have not indicated any issues with scholarship administration.

The foundation provided $114,656 in program grants in 2015-16, and has provided $158,840 so far in 2016-17. As stated in the foundation's most recent audit report, various departments at the three colleges use the grants to improve student learning and success by providing physical, technological and human resources, including tutors for students and professional growth opportunities for faculty. Program grants are received by individual college programs. There is not a formal process or procedure for requesting program funds; a college department or program can make requests to the foundation directly by email. These requests do not go through the college business office and are not required to align with the college's strategic plan or institutional program review. It would benefit the college to develop procedures that require all program grant requests to be routed through the college business office to improve communication and planning. It is a best practice to ensure the procedures include standard forms that contain at least the following information:

a. The purpose of the grant

b. The grant purpose's relationship to the college's strategic plan and the department's or program's institutional program review

c. Identification of any other funds that are available for the proposed activity

d. The person responsible for administering the grant

e. A requirement for a signature indicating agreement with the college and foundation accounting requirements.

## Trust Funds

Other extracurricular activities are conducted using money from and are accounted for using college trust fund accounts. These extracurricular activities include fundraising activities by the Fashion Design and Merchandising, Early Childhood Education/Child Development, Dance, and Intercollegiate Athletic departments. There is approximately $170,000 in the college's trust fund accounts. There may be some minor extracurricular activities that function without a trust account, but there is only anecdotal evidence of such activities. According to the vice president of administration, the college business manager, and the accounting technician responsible for trust funds, the college has made a major effort to ensure that any other extracurricular activities that involve money establish trust accounts; they believe the amount of extracurricular activity that occurs without such a trust account is insignificant.

Evidence indicates the college has been successful in ensuring that other extracurricular activities establish and use trust fund accounts. However, the process and the form used to establish and approve a trust account lack the following important information:

a. Purpose of the trust

b. Sources of income

c. A statement accepting the college's and district's procedures, especially regarding cash handling and allowable uses of public funds
d. Allowable expenditures and any restrictions
e. Position titles that must approve expenditures
f. What happens to any remaining funds after some defined period of inactivity

It would benefit the college to include these items in the trust account establishment process and on the trust account establishment form.

## Purchasing, Contracts and Memoranda of Understanding

Purchasing processes, contracts and memoranda of understanding (MOUs) are detailed in the district's *User Guide for Contracts and Insurance* as well as in district board policies and procedures. The college has no formal written procedure covering this area; however, given the documentation it has, such a procedure would be redundant. All requests for contracts from the college are routed through the college business manager, who reviews each request to verify that it has gone through the correct approval process, that there is adequate funding, and that vendor or contractor insurance requirements have been met. In the rare event that the district purchasing and contracts office receives a request for contract that has not been reviewed by the college business manager, the contract is returned to the college.

## Grant Proposals and Monitoring

The district receives financial assistance from federal and state agencies in the form of grants. Disbursements of funds received under these programs usually require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, and given the college's close monitoring of claims, any such disallowed claims will not have a material adverse effect on the college's or district's total financial position. FCMAT agrees with this opinion.

At the college, grants are subject to fiscal and compliance oversight by both the college's external funding and compliance officer (who previously served as the college business manager) and the district's grants analyst. The external funding and compliance officer takes a hands-on approach and is accessible, providing extensive one-on-one assistance to various grant administrators and staff. The individual in this position has announced she will retire soon and the college must decide how they will proceed. It would benefit the college to consider a combination of strategies, including an analysis of this position's job functions to determine which functions should be assigned to what offices; enhanced training of staff to give them the tools to perform any additional functions; and more active administrative oversight.

The college's website has a section titled Cañada Grants Development and Management, which is an excellent resource. The section includes information on the grant application process, grant compliance, and grant resources. Also included are the Grant Intent to Apply and Grant Submission Cover Sheet forms as well as a list of useful links. Both the aforementioned forms include fields for approval signatures from the college business manager and the college president. The Grant Submission Cover Sheet requires a five-year fiscal projection and identification of both direct and indirect costs. There is also a section that focuses on federal grant compliance. The external funding and compliance officer closely monitors the budgets of all grant programs.

FCMAT found isolated instances in which the district's Procard procedures were not congruent with outside grant requirements. The grant review process does not routinely include a comparison of grant requirements with district Procard requirements; doing so would help ensure that the college is fully complying with grant requirements.

Both the Banner financial reporting system and the Argos DESR in Banner provide easy-to-use tools to monitor grants.

With the exception of the Grants Development and Management section of the college's website, FCMAT was not able to find comprehensive documentation of budget management processes, procedures and timelines.

## Creating and Filling New Positions

When creating regular, permanent full-time equivalent (FTE) positions at the college, no matter what the source of funding, the college requires that the requests for positions be processed through the administrative hierarchy, up to and including the college president. However, this process is not documented in a written college procedure or in district board policies or procedures. The Human Resources section of the district's public SharePoint website does not contain any specific procedures for approving the creation of, or for filling, new college-level positions.

## Cross Training and Desk Manuals

The college lacks cross training and desk procedure manuals in the business office. More than one employee should be able to perform each job in the department. When employees are cross trained, operations are not significantly hindered by one employee's absence because another staff member can be assigned to perform their duties. Inadequate cross training is often a problem regardless of an organization's size. All college business positions need desk manuals that include step-by-step procedures for business-related job duties, including each position's internal control-related responsibilities.

Creating desk manuals also provides an opportunity to plan and diagram internal controls and written standards for the business office. Desk manuals are especially helpful when training new staff; they help preserve institutional knowledge and document and monitor segregation of duties collegewide. It is a best practice to make desk manuals available to other departments to help with processes, standards, transactions and best practices. As stated previously, any processes and procedures that require actions from other departments should be documented in college procedures that are developed, reviewed and approved using a formal procedure or procedures.

## Recommendations

*The college should:*

1. Prepare written procedures to guide college operations. Focus on the most critical functions first.

2. Develop, through the collegial consultation process and in accord with the *Participatory Governance Manual*, a procedure that guides college staff in developing department desk manuals and in developing and approving college administrative procedures.

3. Explore the feasibility of linking the ASCC accounting system with the Banner financial system.
4. Consider redefining the PBC's role to be more active and participatory rather than informational only.
5. Consider producing more frequent and formal enrollment and expenditure status reports that coincide with the college's annual enrollment and expenditure patterns.
6. Develop processes and procedures to ensure that decisions at all stages of budget development and updating, including resource allocations, are aligned with the results of institutional program review and the college's strategic plan.
7. Connect program review to institutional planning and decision-making.
8. Ensure that enrollment management is more closely and formally tied to budget development and management processes.
9. Develop more formal cross training and staff development to ensure backup for the curriculum and instructional specialist position.
10. Create custom Banner reports that allow program administrators to see a consolidated view of all the programs and the multiple funding sources involved in an activity, or create a program to automatically transfer the raw data from Banner into Excel, rather than manually entering the data on an Excel spreadsheet.
11. Develop a procedure that specifies what to do when department budgets are overspent at year-end.
12. Develop a procedure that requires an annual agreement with all Procard users so users are reminded of their responsibilities and card guidelines.
13. Decrease the number of individuals who hold Procards to strengthen internal controls and reduce unauthorized expenditures.
14. Conduct a review of procurement card usage, and revoke cards that have been used for spending in excess of the budgeted amount as well as cards with total annual charges less than a certain amount.
15. Develop a procedure that gives guidance about what, if any, college fundraising activities must be coordinated with or run in conjunction with the foundation.
16. Review the list of most frequently used, highest volume suppliers (e.g., Office Depot) and consider establishing open purchase orders that would be subject to pre-purchase budget controls, including major object code level budget blocks.
17. Monitor Procard use more consistently to ensure conformity with policies and procedures and to confirm that all charges are for district-approved purposes.

18. Develop a college policy and procedure that provides more clarity concerning the purchasing of food, beverages and gifts; include this procedure in an annual Procard recertification/reauthorization.
19. Reinforce the need to follow the college requirements for submitting grant applications, especially the requirement to obtain prior administrative approval.
20. Develop procedures and practices that ensure all grant applications and funding requests, including program grant requests, are routed through the college business office. Ensure that program grant requests are submitted on standard forms.
21. Develop a plan to ensure the continuity of external funding and compliance functions after the external funding and compliance officer retires.
22. Establish a process for reviewing the relationship between Procard procedures and the spending requirements for each grant to determine whether Procards can be used, and if so, under what circumstances and conditions.
23. Request that the foundation's budget, agendas, meeting minutes, policies and procedures be posted to the foundation's website.
24. Modify the trust account establishment form to require more information, including authorized use of the funds, who approves disbursements, and what happens to funds remaining after a specified time of inactivity.
25. Develop comprehensive documentation of budget management processes, procedures and timelines.
26. Develop a college procedure that includes criteria for approving, creating and filling new permanent positions.
27. Implement cross training to help ensure the continuity of essential business office functions when a position is vacant or an employee absent.
28. Create desk manuals for positions to ensure that other employees can understand and perform all duties when an employee is absent or a position vacant.

FCMAT appreciates the opportunity to serve Cañada College and extends thanks to all the staff for their cooperation and assistance during fieldwork.

Sincerely,

Michelle Giacomini

Michelle Giacomini
Chief Management Analyst