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CERTIFICATON OF THE SPECIAL REPORT
April 1, 2013

To: Accredititing Commission of Community and Junior Colleges
    Western Association of Schools and Colleges

From: The Los Angeles Community College District
       770 Wilshire Blvd.
       Los Angeles, CA 90017

This Special Report is submitted per the requirements of the Accrediting Commission of
Community and Junior Colleges. We certify that the report accurately reflects actions
taken by the District to address the recommendations, and that the report was presented to
the board of trustees for review prior to submission.

________________________________________
Daniel LaVista, Ph.D.
Chancellor, Los Angeles Community College District

________________________________________
Steve Veres
President, Los Angeles Community College District
Board of Trustees

________________________________________
Mona Field
Chair, Institutional Effectiveness Committee
Board of Trustees
Statement of Report Preparation

This Special Report is intended to address the ACCJC concerns listed in a letter to Chancellor Daniel LaVista dated February 5, 2013. Specifically, the purpose of the report is to address District Recommendations 1 and 4, which cover the oversight of the District's Bond Program and the adoption of an allocation model that addresses the size, economies of scale, and the stated mission of the individual colleges.

The District has also been asked to address the material weakness in internal controls contained in the June 30, 2011 audit report related to appropriate charges in the District's Bond Program, and the Total Cost of Ownership (TCP) issue that was raised in the LACCD Bond Audit Report issued by the Office of State Controller. Additionally, the District was asked to develop a comprehensive plan to address all of the operational and maintenance costs associated with additional facilities. Furthermore, the Commission's reviewer team recommended that the District and its nine colleges both individually and collectively submit the annual Fiscal Report so that the information is consistent and is submitted using the same format.

This Special Report documents the progress on each concern and provides evidence that there was broad participation in the response to each of the recommendations. Listed below are the team members who worked on each of the District recommendations:

<table>
<thead>
<tr>
<th>District Recommendation 1—Bond, Moratorium, and Total Cost of Ownership Comprehensive Plan</th>
<th>Team members</th>
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<tbody>
<tr>
<td>James O’Reilly</td>
<td>Executive Director of Facilities Planning and Development</td>
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<td>Tom Hall</td>
<td>Director of Facilities Planning and Development</td>
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<tr>
<td>Christine Marez</td>
<td>Inspector General</td>
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<tr>
<td>Lloyd Silverstein</td>
<td>Build LACCD staff member</td>
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<tr>
<td>Mary Ann Breckell</td>
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<td>Mona Garber</td>
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<td>John Morrill</td>
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<td>Katherine Drake</td>
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<td>Julio Fujihara</td>
<td>Build LACCD staff member</td>
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<th>District Recommendation 2—Audits</th>
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<tr>
<td>Jeanette Gordon</td>
<td>Chief Financial Officer/Treasurer</td>
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<td>Adrianna Barrera</td>
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<td>James O’Reilly</td>
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<td>Camille Goulet</td>
<td>General Counsel</td>
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<td>Jorge Mata</td>
<td>Chief Information Officer</td>
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<td>Jim Watson</td>
<td>Interim Director of Business Services</td>
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<td>Employee Benefits Manager</td>
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<tr>
<td>Leila Menzies</td>
<td>Vice President of Administrative Services/Risk Management &amp; Health Benefits</td>
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<td>Workers Compensation Specialist</td>
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<tr>
<td>Andy Duran</td>
<td>Educational Services Center IT</td>
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<td>Ed Molina</td>
<td>Educational Services Center IT</td>
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<th><strong>District Recommendation 4—Budget Allocation</strong></th>
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<tr>
<td>Jeanette Gordon</td>
<td>Chief Financial Officer/Treasurer and Executive Committee of the District Budget Committee member</td>
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<tr>
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<td>Vinh Nguyen</td>
<td>Director of Budget and Management Analysis and Executive Committee of the District Budget Committee member</td>
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<td>Kathleen Burke-Kelly</td>
<td>President, Los Angeles Pierce College and Executive Committee of the District Budget Committee member</td>
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<td>Jack Daniels</td>
<td>President, Los Angeles Southwest College and Executive Committee of the District Budget Committee member</td>
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<tr>
<td>Renee Martinez</td>
<td>President, Los Angeles City College</td>
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<tr>
<td>Farley Herzek</td>
<td>President, East Los Angeles College</td>
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<td>Nabil Abu-Ghazaleh</td>
<td>President, West Los Angeles College</td>
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<td>Marvin Martinez</td>
<td>President, Los Angeles Harbor College</td>
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<td>Roland Chapdelaine</td>
<td>President, Trade-Technical College</td>
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<td>Sue Carleo</td>
<td>President, Los Angeles Valley College</td>
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<td>Carl Friedlander</td>
<td>AFT Faculty Guild and Executive Committee of the District Budget Committee member</td>
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<td>John McDowell</td>
<td>AFT Faculty Guild and Executive Committee of the District Budget Committee member</td>
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<tr>
<td>David Beaulieu</td>
<td>Academic Senate and Executive Committee of the District Budget Committee member</td>
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After the District recommendation team members completed their work on the responses, Vice Chancellor Yasmin Delahoussaye sent the final draft to the colleges for review and input. The colleges then engaged all campus constituents (i.e., faculty, students, administrators and staff) in a dialogue about the District's responses to the recommendations. On February 20, 2013, the Board's Institutional Effectiveness Committee reviewed the District responses and on March 20th reviewed the comprehensive plan for Total Cost of Ownership. The Institutional Effectiveness Committee voted to recommend both for approval to the full Board.
District Recommendation 1:

In order to meet the Standards and Eligibility Requirements, the Teams recommend that the District actively and regularly review the effectiveness of the construction bond oversight structure and the progress in the planned lifting of the moratorium to ensure the financial integrity of the bond programs, and the educational quality of its institutions as affected by the delays of the planned facilities projects (III.B.1.a; IIID.2.a; IVB.1.c; Eligibility Requirements 17 and 18).

This recommendation calls for the LACCD to improve the effectiveness of its bond oversight structure through regular reviews, ensure fiscal integrity in the program, and address the impact of the moratorium on new buildings that are needed to support student learning programs and services.

Actions Taken to Resolve the Recommendation:

The District has taken a number of actions to improve its bond oversight structure, strengthen compliance, and address issues related to the moratorium. Most notable of all of the actions taken was Chancellor Daniel LaVista's formation of an Independent Review Panel (D1-I LACCD Chancellor Announces Formation of Review Panel). The charge given to the Panel was to review the LACCD Building Program and provide recommendations on a variety of topics including the Building Program's operations, controls, checks and balances, policies, practices and procedures. The Independent Review, made up of prominent local construction industry and business community experts, included:

- **Frederick E. Harris**, Assistant Vice Chancellor, College Finance & Facilities Planning for the California Community Colleges Chancellor's Office with responsibilities for capital outlay policy development and allocation of state general obligation bonds for construction at all 72 community college districts statewide.
- **John P. Dacey**, Esq., Senior Partner, Bergman & Dacey, Inc., legal counsel to numerous public entities throughout the state practicing predominately in the area of public works construction litigation and preventative risk counseling. His primary focus is complex construction problem solving. His clients routinely build over $2 billion in construction volume each year.
- **Gary Lee Moore**, City Engineer for the City of Los Angeles, responsible for design and construction of all public facilities, (for example, fire stations, libraries and projects involving parks, wastewater treatment plans) and the regulation of private development affecting the public right-of-way.
- **Roberto Barragan**, President, Valley Economic Development Center, manages the largest business development non-profit organization in Southern California, serving businesses with financing, training, and direct business assistance.
- **Jim Cowell**, Associate Vice President for Facilities, California Institute of Technology, with responsibility for campus facilities, utilities, capital construction and sustainability; former Deputy Chief Facilities Executive for New Construction at Los Angeles Unified School District.
• Karen Hathaway, President and Managing Partner, LAACO, Ltd, and 2012 Chair of the Los Angeles Area Chamber of Commerce Board of Directors.
• Robbie Hunter, Executive Secretary, Los Angeles/Orange Counties Building and Construction Trades Council, representing 140,000 members from 15 construction trades and 42 affiliated Craft Local Unions. Licensed Construction Structural Inspector.
• Sarah Meeker Jensen, AIA, Founding Partner and President, Jensen and Partners, former Vice President of Engineering and Operations at AMGEN, and former Assistant Vice Chancellor for Health Sciences Design and Construction, UCLA.
• Rita Robinson, Deputy CEO, County of Los Angeles, for budget, finance and facilities asset management and development; former General Manager of the Los Angeles Department of Transportation.

Specifically, the Chancellor asked the Independent Review Panel to address the following areas of concern:

I. Ethics
   • Determine whether ethical regulations are sufficient to prevent the exercise of inappropriate influence.

II. Cost Containment
   • Evaluate both (1) overall hard and soft cost ratios, and (2) overall compensation for major types of Program contractors, vendors and professional service providers for comparison to programs of comparable size.
   • Review the effectiveness of the planning process and the adherence to the resulting plans, including change orders and their justifications at any phase, including the energy program.
   • Review the effectiveness and efficiency of the College Project Managers' and Program Managers’ support regarding the quality of design documents. Evaluate need for additional, cost-effective measures. Consider the volume of accepted change orders and assess the supporting rationale(s).

III. Education and Communication
   • Review the effectiveness of the type and manner in which technical expertise is provided to decision-makers in the implementation of the Program.
   • Review the communications and internal education systems between the Program Manager and the College Project Managers, between the colleges and the District Office, and between industry experts and campus-based staff, faculty and students to promote understanding of policies and procedures.

IV. Effectiveness
   • Evaluate whether the current organizational structure and procedures strike the right balance of authority at the colleges (Presidents, governance participants and College Project Managers) and the District (Chancellor, District department designees and Program Manager) for key decisions and milestones. Consider organizational changes and their appropriateness at various stages of the Program.
   • Assess whether major decision-making is sufficiently supported by quality documentation.
- Determine whether the distribution of resources and authority for the Program Manager and nine College Project Managers is appropriate and cost-effective.
- Review the effectiveness of construction management, inspection, commissioning and warranty enforcement on the compliance and performance of construction contractors.

On January 4, 2012, the Independent Review Panel issued a report on the District's Building Program (D1-2 Independent Review Panel Report). Included in the report were the 17 recommendations that are listed below, with the actions taken by the Chancellor and Board in response to these recommendations to strengthen the Bond Program:

1. Impose a Moratorium on New Projects and Board Directives. The Panel recommended that the District impose a moratorium on all new construction projects that had not yet been awarded to permit the hiring of a new District Executive Director of Facilities. The Chancellor responded by issuing a short-term moratorium in December 2011 on $1.9 billion of projects that had not started or were not already in construction (D1-3 Email from Chancellor LaVista Announcing Building Moratorium).

Since construction had not started, the moratorium allowed the District an opportunity to conduct a thorough evaluation to determine whether the following criteria had been met:
- The colleges could afford the costs of maintaining and operating the new buildings.
- There was sufficient capital to build projects with currently authorized funds.
- The facilities, some of which had been planned years ago, matched projected needs.

While the original intent of the moratorium was to provide the necessary time to analyze and appropriately adjust to the impacts of the State budget crisis, a number of other benefits have resulted from the moratorium review, including the following:
- The colleges had a chance to take a hard look at the best use of remaining funds, which resulted in campuses making significant changes through shared governance to realign construction programs with current educational requirements and priorities. (D1-4 Shared Governance Council meeting minutes)
- The District’s operating budget allocation mechanism was amended to address concerns in ability to fund increased M&O costs and standardize minimum administration staffing. (D1-5 Amendment to Budget Allocation Mechanism)
- Possible overbuilding at campuses that already had more lecture, laboratory, and office capacity than currently could be used were deferred or canceled. (D1-6 Moratorium Status List and Moratorium Update to the Board of Trustees, August 22, 2012)
- Budget shortfalls for remaining college projects were identified and addressed before situations resulted from which the colleges could not recover. (D1-7 Building Program Monthly Progress Report)
- A $160 million District bond reserve was established to appropriately address contractor defaults, claims, unforeseen conditions and other unbudgeted risks. (D1-8 Board Resolution 1, Adopt a Policy for Funding of the District's Bond Program Reserve to Address the Level of Risks and Work Remaining on the District's Building Program)
- Bungalow and modular facility removals were made a priority to ensure movement of faculty and staff into permanent facilities. (D1-9 Bungalow, Modular and Old Building Demolition)
g. A new facility database was created to provide a more timely and accurate classification of existing and planned new college facility types and sizes, as well as the projected need for facility space in relation to enrollment. *(D1-10 Facilities Database Report)*

h. A deferred maintenance fund was established to address postponed and emergency facility repairs and maintenance work. *(D1-11 Board Resolution 2, Adopt Polices for Set Aside of District Operating Funds to Address Deferred Maintenance and Repair of Existing Facilities)*

The Panel also recommended that the Board not issue directives regarding the Building program as had been done in past years. They noted that these directives caused significant confusion within the Building Program *(D1-12 Board of Trustees meeting minutes)*. Since receiving this recommendation, the Board has refrained from issuing any directives.

2. **Modify the Building Program Management Structure to a More Centralized Model.** The Panel reviewed the Building Program's management structure and recommended moving to a centralized management structure. The Board responded with Board Resolution BT4 which changed the bond management structure to a more centralized approach, leaving the College Presidents responsible for defining and ensuring appropriate responses to educational and programmatic needs, but transferring responsibility for managing and executing the design and construction to an industry best practice of having the College Program Manager report to the District's Executive Director of Facilities *(D1-13 Board Resolution 4, Standardize Centralized Accountability Controls Utilizing Industry Best Practices for Build LACCD)*.

3. **Program Cost at Completion and Program Reserve.** The Panel noted that both project(s) and program contingencies must be maintained to the end of the Building Program until all obligations associated with the Building Program are addressed and resolved. Therefore, they recommended that an adequate program reserve be held at the central level to pay for anticipated and unanticipated costs. The Board responded with Board Resolution BT1 that sets aside $160 million for the risks associated with contractor claims, defaults, unforeseen conditions, and other unbudgeted costs *(D1-14 Board Resolution 1, Adopt a Policy for Funding of the District's Bond Program Reserve to Address the Level of Risks and Work Remaining on the District's Building Program)*.

4. **Audit Update to Financial Reporting.** Next, due to an Inspector General's Report dated September 20, 2011 *(D1-15 LACCD Releases Reports on Contract Scoring Processes at Two Colleges)*, the Panel recommended that the District Controller and the Program Manager perform and reconcile separate audits to ensure that all obligations and expenditures related to Proposition 39 bond funds are recorded in both the District and Build LACCD financial systems. As noted in the LACCD Audited Basic Financial Statements Report, page 75 *(D1-16 Report on Audited Basic Financial Statements)*, in response to this recommendation the District developed a monthly reconciliation process. Since June 2012, the District has also provided additional training to ensure that these reconciliations are prepared in a timely manner and identified a dedicated employee responsible for this task. This requirement will allow the District to account for all of the Proposition 39 bond funds by the end of the program.

5. **Change Orders: What the Data Suggests.** The Panel also reviewed the District's Building Program change order data; this review revealed a few areas of concern. In particular the data
highlighted a significant difference in how the District handles and manages changes dependent upon which of the two construction delivery methods the District uses to build a project—Design Bid Build or Design Build. In response, the Board passed Board Resolution BT6 that "locks-in" baseline scope and budget at the project level for all remaining work at the colleges, versus the previous total college allocation. The Master Budget Plan also requires District level approvals for proper use of Prop A/AA and Measure J bond ballot measure funds, and changes in scope on college projects (D1-17 Board Resolution 6, Adopt a Master Budget Plan and to Implement Policies to Strengthen Oversight and Spending Practices for the District's Construction Program and D1-18 Build LACCD Master Building Program Budget Plan).

6. Proper Role of Shared Governance in the Building Program. One of the findings of the Independent Review Panel was that shared governance practices had significantly contributed to increased costs, changes, delays, and disruptions to the Building Program. The Panel went on to recommend that the District establish policies and procedures to define the proper role of shared governance in the planning and pre-construction phases of all projects, and that the District should preclude shared governance involvement in Building Program issues after the Board of Trustees approves a project and a project's budget. The Board responded with Board Resolution BT4 that changed the bond program management structure to a more centralized approach. (D1-19 Board Resolution 4, Standardize Centralized Accountability Controls Utilizing Industry Best Practices for Build-LACCD).

7. Energy Program: Observations. With regard to the District's Energy Program, the Panel found that the goals were well founded but may have been too aggressive. The bottom line, the Panel concluded, was that the District paid too much for its solar photo voltaic program. Since many of the planned energy projects in the Building Program had not been started, the Panel recommended that the District put a hold on its Energy Program until the financial benefit and impact can be fully assessed, quantified, justified and understood. The Board responded by creating an Energy Program Ad Hoc Committee to review the recommendation and fully assess the District's Energy Program (D1-20 Revision to Board Rule 2605.11—Standing Committees of the Board of Trustees).

8. District Wide Technology Initiatives. After reviewing a dashboard report, the Panel pointed out that the Technology District Wide Initiative was lagging with barely 10% of the projects awarded. It recommended that the Program Manager ensure that this portion of the Building Program be managed with the same rigor as the remainder of the Building Program. Since receiving the Independent Review Panel's report on this topic, the District has accelerated the release of District Wide Technology Initiatives as demonstrated in the most recent dashboard report (D1-21 Los Angeles Community College District Building Program Monthly Progress Report).

9. Design Management. During the first six and a half years of the Building Program, the District engaged in a delivery method that is referred to as Design Bid Build for Prop A/AA Projects. Design Build was introduced as a new delivery option for most of the Measure J Projects. The Panel recommended that the District's Office of Inspector General audit Design Bid Build projects where there was a termination for convenience or work was performed.
under a settlement to avoid the 10% change limit; that District staff institute an evaluation of the architects involved in the Building Program; and that the Office of the Inspector General audit all current College Project Manager firms and compare the overall compensation for vendors in the Building Program, such as Architects, College Project Managers, Program Managers, etc. to that of other programs of comparable size. The OIG is currently performing an audit of the specific projects in which contracts have been terminated for convenience in order to avoid the 10% change order limit. The OIG performed a Market Survey of Program Management, Construction Management, and architectural services rates currently being paid in the local Los Angeles area in order to establish a basis for the rates currently utilized by LACCD in its PM and CPM contracts (D1-22 Office of the Inspector General Status Report, 2010-2012).

10. Construction Management. The College Project Managers should manage the construction process in such a manner that protects the owner's (i.e., the District’s) interest. While the Panel concluded that many of the change orders had been owner driven, it drew the conclusion that the College Project Managers should have had better control of the change order process and alerted the Program Manager and District of the substantial changes being made so that the District, at the central level, could have evaluated other possible options. Additionally, it recommended that the Inspector General do an audit regarding how such a large number of owner-driven change orders could have taken place and that she conduct an audit of all College Project Managers' performance over the past four years (D1-23 Office of the Inspector General Status Report, 2010-2012).

11. Hard vs. Soft Costs. The "hard" costs and "soft" costs associated with the Building Program, including overall costs for the major types of program contractors, vendors, and professional service providers, were reviewed and compared to building programs of comparable size. In general, the Panel found that the District's categorization of these costs was in line with traditional industry standards but was unable to benchmark them because they could not obtain comparable data from another large program of similar size in the time allowed. Given the Panel’s finding, no District action was required in this area.

12. Compliance with Proposition 39. State Controller John Chiang’s audit contended that over $140 million in Proposition 39 funds were not properly expended. The District took issue with several aspects of the audit. The Panel responded by stating that the District should implement more stringent policies and procedures regarding the expenditure of such funds to assist the Board of Trustees in meeting its obligation. In response, the Board revised a number of Board rules and administrative regulations and the OIG performed a review of Bond Program costs and services not allowable by Proposition 39 that included a reduction or elimination of several non-compliant Proposition activities, contract services, and staff positions (D1-24 Administrative Regulation B-21, Administrative Regulation B-24, Administrative Regulation B-26, Administrative Regulation B-29, Administrative Regulation B-30, Board Rule 4006, Board Rule 7100.10, Office of the Inspector General Status Report, 2010-2012).

13. District Citizen's Oversight Committee (DCOC). The DCOC was a key element in the bond initiative, but the Panel found, "While the current Chair and Vice Chair of the Committee
appeared to be very forthright, dedicated, and concerned, the Committee, as a whole, has not performed and is not performing as it should." They recommended that there be a review and revision of the appointment criteria, that the District formalize the process and procedures for Committee activities, that they provide part time or full time dedicated staff as needed, and that they require and ensure more rigor in attendance. As a result of these recommendations, the DCOC has been fully staffed and augmented with new members from the construction industry, and the committee's by-laws have been updated to reflect these changes (D1-25 Administrative Regulation C-7).

14. Facilities Executive Director Position. This leadership role is essential in overseeing a $6 billion bond program. The Panel recommended that the new Executive Director be someone who has been successful in managing a program of similar or greater magnitude. In response to this recommendation, in March 2012 the District hired a new Executive Director of Facilities who met this criterion (D1-26 Board of Trustees meeting agenda).

15. The Building Program Manager. As the Building Program construction activity peaked in 2012, the Panel suggested that the new Building Program Manager should be someone who has skill at effectively closing and drawing down the program. Because the current Program Manager’s contract was set to expire in 2012, the Panel recommended that, if a new program management company is selected; key staff from the current Program Manager should be retained to ensure a coordinated transition (D1-27 RFP for LACCD Bond Program A/AA and Measure J Program Management Services).

16. Impact of New Facilities on Long Term Operating Budgets. The data shows that, at the conclusion of the Building Program, the number of square feet of buildings in the District that must be maintained will increase by 60% so the Panel recommended that the District address the Maintenance and Operations costs of the new buildings. In response, on June 13, 2012, the Board adopted BF4 that distributes M&O costs to the colleges. For FY 12/13, colleges will receive $54 million based on square footage. This amount will increase to $61.5 million by FY 15/16 and the Board of Trustees voted to create a Deferred Maintenance Fund by passing Board Resolution BT2. This resolution sets aside a fixed amount each year from the General Fund to address postponed and emergency repairs and maintenance work not funded by the Bond program (D1-28 Business and Finance Board Action and D1-29 Board Resolution 2, Adopt Policies for Set Aside of District Operating Funds to Address Deferred Maintenance and Repair of Existing Facilities). On February 5, 2013 the District was asked to develop a comprehensive plan to address all the operational and maintenance costs associated with additional facilities. On March 20, 2013, the Executive Director of Facilities and Planning presented a comprehensive plan to the Board of Trustees (D1-30 Los Angeles Community College District Comprehensive Plan for Total Cost of Ownership).

17. Ethical Considerations. The final recommendation given to the District by the Panel was that the District institute mandatory training for District and College staff involved with the Building Program. Furthermore, they recommended that the District's Office of General Counsel review a compendium of Ethical Policies and Procedures from other community college districts to determine whether to expand upon the policies currently in place at the
District. In response, the Ethical Policies and Procedures of other community college districts were reviewed and mandatory training was implemented. (D1-31 Compliance Training Logs, 2012).

Finally, additional actions that the Chancellor and Board took to resolve this recommendation include the following:

- **The Capital Construction Committee** of the full Board (seven Trustees) was created in lieu of the prior Infrastructure Committee that had just partial Board participation (three Trustees), to provide policy guidance, oversight of the bond program, and approval of master plans and environmental impact reports. (D1-32 Board Rule 2605.11)
- **Dashboard Reports** are revised to reflect more accurate college project budgets and forecasts, based on the newly approved Master Budget Plan. Potential budget shortfalls for remaining college projects are identified and addressed to prevent negative results. (D1-33 Campus Dashboard Reports)
- **Board Ad Hoc Committees** were formed to consider additional policies to further strengthen oversight and control. The four Ad Hoc Committees of the Board of Trustees include: Building Program Review Panel, Program Manager Process Oversight, Asset Assessment, and Energy Program. (D1-34 Board Rule 2605.20)
- **Independent Office of Inspector General and Whistleblower Program** created. A number of reports have been prepared that resulted in various policy and procedural improvements such as the Selection of Construction Contractors (D1-35), Fulbright & Jaworski (Memo) Review of Proposition 39 (D1-36), Review of Bond Fund Reimbursables (D1-37), the Selection of Professional Contract Services (D1-38), and the Audit of the Change Order Management (D1-39).

**Analysis of the Results Achieved to Date:**

When this recommendation was received on July 2, 2012, the District was more than half way through 11 major District and Board actions to improve the bond program. Although the District was in the process of improving its bond oversight and the fiscal integrity of the program, the visiting team correctly identified areas that the District needed to work on to fully meet the Standards and Eligibility Requirements. The following is a summary of the results achieved to date and an analysis of the improvements and or benefits to the District:

**Independent Office of Inspector General and Whistleblower Program:** A number of reports have been prepared that resulted in various policy and procedural improvements as shown in the reports listed in the evidence files.

**Capital Construction Committee:** Provides policy guidance, oversight of the bond program, and approval of master plans and environmental impact reports. It has helped the District increase Proposition 39 compliance.

**Bond Program Panel Review:** Provided performance findings and improvement recommendations on the bond program, many of which have been implemented.
**Master Budget Plan:** “Locks in” baseline scope and budget at the project level for all remaining work at the colleges, versus the previous total college allocation. It also requires district level approvals for proper use of A/AA/J bond ballot measure funds and changes in scope on college projects. As a result, in 2011, 63 percent of change orders were a result of owner scope changes compared to 32 percent in 2012.

**Board Ad Hoc Committee:** Allows the Board to consider additional policies to strengthen oversight and control and therefore increased Board participation in Proposition 39 compliance.

**District Bond Reserve:** Ensures that the District will have enough funding to close out all Proposition A/AA and Measure J bond projects.

**Deferred Maintenance Funds:** Addresses concerns raised by the Independent Review Panel and State Controller's Office about the total cost of ownership for the building program.

**Amendment to District Operating Budget:** Addresses concerns raised about the ability of the District to fund Maintenance and Operations (M&O) costs for the new buildings.

**Management Centralization:** Addresses concerns about the proper role of shared governance in the building program.

**District Citizens' Oversight Committee:** Addresses concerns about the lack of expertise of members of the DCOC.

**Audit Update to Financial Reporting:** Addresses concerns that the District had not assigned a dedicated employee to conduct monthly reconciliations.

**Additional Plans:**

The Board and District intend to continue implementing the recommendations of the Independent Review Panel and consider additional Ad Hoc Committee policies to strengthen bond oversight and control. They also plan to increase the number of Independent Performance Auditor’s reports on the bond program.

**List of Evidence for District Recommendation 1:**

- D1-1 LACCD Chancellor Announces Formation of Review Panel
- D1-3 Email from Chancellor LaVista Announcing Building Program Moratorium, Oct. 3, 2011
- D1-4 Shared Governance Council meeting minutes
- D1-5 Amendment to Budget Allocation Mechanism, June 13, 2012
- D1-6 Moratorium Status List, November 23, 2012 and Moratorium Update to the Board of Trustees, August 22, 2012
- D1-7 Building Program Monthly Progress Report, November 2012)
D1-8  Board Resolution 1, Adopt a Policy for Funding of the District's Bond Program Reserve to Address the Level of Risks and Work Remaining on the District's Building Program, May 23, 2012
D1-9  Bungalow, Modular and Old Building Demolition
D1-10 Facilities Database Report
D1-11 Board Resolution 2, Adopt Policies for Set Aside of District Operating Funds to Address Deferred Maintenance and Repair of Existing Facilities, May 23, 2012
D1-12 Board of Trustees Meeting Minutes, January 25, 2012
D1-13 Board Resolution 4, Standardize Centralized Accountability Controls Utilizing Industry Best Practices for Build LACCD, September 12, 2012
D1-14 Board Resolution 1, Adopt a Policy for Funding of the District's Building Program, May 23, 2012
D1-15 LACCD Releases Reports on Contract Scoring Processes at Two Colleges
D1-17 Board Resolution 6, Adopt a Master Budget Plan and to Implement Policies to Strengthen Oversight and Spending Practices for the District's Construction Program, Oct. 5, 2011
D1-18 Board Resolution 4, Standardize Centralized Accountability Controls Utilizing Industry Best Practices for Build LACCD, September 12, 2012
D1-19 Board Resolution 4, Standardize Centralized Accountability Controls Utilizing Industry Best Practices for Build LACCD
D1-20 D1-21 Revision to Board Rule 2605.11—Standing Committees of the Board of Trustees, adopted March 23, 2012
D1-21 Los Angeles Community College District Building Program Monthly Progress Report, dated November 2012
D1-25 Administrative Regulation C-7
D1-26 Board of Trustees meeting agenda, March 21, 2012
D1-27 RFP for LACCD Bond Program A/AA and Measure J Program Management Services, October 3, 2012
D1-28 Business and Finance Board Action
D1-29 Board Resolution 2, Adopt Policies for Set Aside of District Operating Funds to Address Deferred Maintenance and Repair of Existing Facilities, May 23, 2012
D1-30 Los Angeles Community College District Comprehensive Plan for Total Cost of Ownership
D1-31 Compliance Training Logs, 2012
D1-32 Board Rule 2605.11
D1-33 Campus Dashboard Reports
D1-34 Board Rule 2605.20
D1-37 Office of the Inspector General audit, October 10, 2011
D1-38 Office of the Inspector General audit, April 29, 2011
D1-39 Status Report (Change Order Management), 2010-2012
District Recommendation 2:

*In order to ensure the financial integrity of the District and the colleges, and to meet the Standards and Eligibility Requirements, the Teams recommend the resolution of the material weakness and significant deficiencies cited in the 2010 financial audit be fully effected by the completion of next year’s audit, and appropriate systems be implemented and maintained to prevent future audit exceptions (IIID.2.a; IVB.1.c, Eligibility Requirements 17 and 18).*

This recommendation calls for the District to resolve the material and significant deficiencies cited in the District's 2010 audit and ensure that the corrective actions taken show evidence of systematic integration to prevent recurrence of the cited deficiencies.

**Actions Taken to Resolve the Recommendation:**

In the 2010 audit, the Capital Assets and General Obligation Bond Program was identified as being a material weakness and Employee Benefits, Risk Management, and Information Technology were identified as being significant deficiencies. Listed below are the corrective actions taken by the District, together with evidence of a corrective action plan to prevent recurrences.

**Capital Assets and General Obligation Bond Program Audit Findings:**

- The District does not currently have adequate policies and procedures in place that allow it to identify and record capital asset expenses in the proper period in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Exceptions were noted during our capital asset test work, which required additional analysis by management.
- The District does not currently reconcile furniture and equipment purchased with bond proceeds to the actual equipment received and tagged.
- The District requires all employees designated in the Los Angeles Community College District Administrative Regulations as C-5 Categories and C-6 Designated Positions as having procurement oversight responsibility to annually submit a California Fair Political Practices Commission Statement of Economic Interests (Form 700) and the Board of Trustees Rule 14000, Conflict of Interest Code for the Los Angeles Community College District. However, we noted that there does not appear to be adequate controls in place to reconcile the information included in these forms with vendors or subcontractors utilized by the District.

**Capital Assets and General Obligation Bond Program Corrective Actions Taken:**

- Build LACCD, in collaboration with District Office staff, implemented monthly reviews and reconciliations of the Capital Assets and General Obligation Bond Program in fall 2011.
- Monthly reconciliation for bond budget reports and bank statements between LACCD and Build LACCD books is performed by District and Build LACCD staff.
- The District has planned three phases for improving the process of reconciling and reporting bond funded furniture, fixtures, and equipment: Phase 1 (Developing an Asset Management Strategy), Phase 2 (Radio Frequency Identification and Technology Solutions) and Phase 3 (Physical Inventory and Asset Tracing and Reconciliation).
• The District developed an electronic form that will cross reference information between the LACCD and Build LACCD.

Evidence of Systematic Integration to Prevent Recurrence:
• Policies and Procedures were developed and implemented for monthly reconciliation (D2-1 Monthly Bond Reconciliation Procedures).
• Asset Management Strategic Plan was completed (D2-2 Strategic Assessment Management Plan, February 18, 2011).
• Physical Inventory and Asset Tracking and Reconciliation Project was completed (D2-3 Fixed Asset Inventory and Reconciliation Report as of September 14, 2012).
• E-filing of Form 700 software was purchased in January 2012; the look-up function is scheduled to be implemented in 2013.

Employee Benefits Audit Findings:
• There did not appear to be adequate controls in place to ensure that supporting documentation for check requisitions for medical-related employee benefit payments (i.e., payments made to Blue Shield, Kaiser Foundation, Safeguard Dental, and VSP) were reviewed and approved prior to payments. The supporting documentation was not included in one of the months selected for test work.
• There did not appear to be adequate controls in place to ensure that the reconciliation of the SAP Workbench reports of employee benefits expenses (e.g., medical-related benefits, retirement-related benefits, and other employee benefits) according to the payroll register agrees to the general ledger in a timely manner. During test work, the auditors noted that the information related to medical-related employee benefits that is transferred to the workbench files was not always complete and/or accurate. Errors are sometimes internally detected through a manual review of the data; however, due to the large volume of data, the District’s staff is unable to manually review the entire report. Errors are also sometimes detected by either the District’s health provider if they are either over or underpaid or by employees if they realize their medical claims are not being paid.
• There do not appear to be adequate controls in place to ensure that social security payments are made for all student workers and that all employees who work in excess of 1,000 hours are enrolled in CalPERS and Social Security. During fiscal year 2010, the District identified approximately 100 non-LACCD student workers to whom the District had not made Social Security payments. The District also identified approximately 200 employees whom it had not enrolled into CalPERS and Social Security in a timely manner. Additionally, the auditors noted exceptions in the test work related to Social Security payments (both over and understatements).

Employee Benefits Corrective Action Taken:
• As of January 2012, the reconciliation of billings was divided alphabetically and assigned to employees.
• The Billing Manager schedules monthly meetings with employees to go over the reports. All variances are then addressed. Most of the variances are due to lag time of information that has not been updated by CalPERS.

Evidence of Systematic Integration to Prevent Recurrence:
• Printed copies of all CalPERS alphabetical reconciliation sheets for each month are made by each employee with their notes (corrections to SAP or CalPERS data) and reviewed and signed by the Vice President of Administration/Risk Management and Health Benefits. As part of the monthly review process, the previous month's alphabetical reconciliation sheets are now compared to the current month's, demonstrating the changes that have been effected and credits given (D2-4 CalPERS Reconciliation Report, May 2012).

Risk Management Audit Findings:
• There do not appear to be adequate controls in place to ensure the accuracy of the data that is submitted to the actuary used by the District to calculate the estimated worker’s compensation and general liability accruals.
• There do not appear to be adequate controls in place to ensure that the firm utilized by the District to process general liability claims is updated in a timely manner related to the status of pending cases related to claims the firm is processing.
• There do not appear to be adequate controls in place over the retention of supporting documentation related to claims being processed by the District’s third-party servicer. During the auditor’s test work, two cases were noted in which the District was unable to provide supporting documentation of the information provided to its third-party servicer for open cases.

Risk Management Corrective Actions Taken:
• For General Liability – On a monthly basis the Assistant Administrative Analyst reviews a sample of the Third Party Administrator’s monthly Loss Run of all Open Claims for general liability claims to be sure their data matches what exists in internal files. A signed and dated copy of this review is kept on file. Closed internal documentation files are moved to storage and maintained for three years per the retention policy established by the Board of Trustees (D2-5 Board Rule 7706, Los Angeles Community College District Records)
• For Workers Compensation – The Workers Comp Specialist will review a sample of closed claims from the TPA’s monthly Loss Run to be sure their data files status matches the District’s internal records. On the last working day of each month a signed and dated copy of the review will be kept on file. Closed internal documentation files are moved to storage and retained for three years per the retention policy established by the Board of Trustees.

Evidence of Systematic Integration to Prevent Recurrence:
• Samples are taken every month from loss runs by the Workers Compensation Specialist and checked for status/updates. These reports are then reviewed and signed by the VP of Administrative Services/Risk Management and Health Benefits. The loss runs samples are taken from the GL every month by the Insurance Claims Specialist and reviewed and signed by the VP of Administrative Services/Risk Management and Health Benefits. EPL (employment claims) samples are referred to General Counsel for their review, as these claims are not handled by Business Services. The yearly loss run totals prepared to go to vendor (Risk Services firm) are reviewed by the VP of Administrative Services/Risk Management and Health Benefits on a sample basis to ensure that the yearly final loss run has been updated; then these files are sent electronically to the

Information Technology Corrective Action Taken:
- Security Weaver access control has been implemented for IT staff. Mercury Quality Center has also been implemented to record and process issues and application changes. Security Weaver Access Controls is used to monitor IT access for application support. For Basis Support – IT management oversight is provided by leads and the IT Basis Manager using audit reports and periodic reviews. The SAP Security Manager will conduct a complete review of access that falls under the IT domain and will make adjustments that are deemed appropriate to remove access that is not required based on business needs or where access is deemed appropriate to document the business need and establish a quarterly review to ensure that continued access is needed. The quarterly review was implemented at the end of March 2012. Furthermore, access to underlying databases and operating systems will be restricted to technical staff responsible for supporting these systems. Generic super user or system administrator accounts will be restricted and used only when unique users are unable to perform key system level functions.

Evidence of Systematic Integration to Prevent Recurrence:
- Quarterly reviews of security have been implemented. Accounts are reviewed on an ongoing basis. The next scheduled review will occur at the end of September 2013. Access to underlying databases and operating systems has been restricted to technical staff responsible for supporting these systems.

Analysis of the Results Achieved to Date:

The District has resolved every audit finding noted in the 2010 audit with the exception of the Capital Assets and General Obligation Bond Program, which was identified as a material weakness. Although not fully implemented, the District is making significant progress toward fully resolving this audit finding. For example, in the 2011-2012 Audited Basic Financial Statement prepared by our external auditors, KPMG, the Capital Assets and General Obligation Bond is now categorized as a significant deficiency (a less serious concern). The District is confident that with the additional plans listed below, it will fully implement solutions that will correct this remaining audit finding.

Additional Plans:

The SAP IT Team, as part of its continuous improvement philosophy, was already implementing pre-audits. The Team has completed moving IT support access to Security Weaver and has moved all staff to the Security Weaver application for management oversight and reporting. HP Quality Center has and remains the key change management tool for tracking configuration and program changes and has been fully implemented across the SAP landscape. Workflow notifications regarding staff changes (new hires, terminations, etc.) are now part of the change management process and are forwarded to IT staff for confirmation and follow up. HP Quality Center continues to capture change management requests and activities as required. Super User
Access has been removed where appropriate and SAP Basis and Security administrators have been moved to Security Weaver for management oversight and reporting. For non SAP administration management, an oversight process has been put in place to monitor access and review appropriateness.

In addition, IT management has implemented a quarterly review of all SAP administration access. Access to the underlying data base has been restricted to only those staff resources that are necessary to maintain the health of the systems. All other non-essential access has been removed. The SAP IT Team has staffed a full time Quality Assurance Coordinator to continue to emphasize its commitment to quality assurance. SAP IT Management is also implementing two new software tools that will continue to improve security by providing a quarterly recertification process for external staff and an employee password reset application that will significantly reduce the need to provide local password reset access to the campuses. Furthermore, the SAP IT Team will be implementing SAP’s Government Risk and Compliance application that will add additional check points around Access Control within the next 12 months.

**List of Evidence for District Recommendation 2:**

D2-1 Monthly Bond Reconciliation Procedures  
D2-2 Strategic Asset Management Plan, February 18, 2011  
D2-3 Fixed Asset Inventory and Reconciliation Report, as of September 14, 2012  
D2-4 CalPERS reconciliation with billing roster for the month of May 2012  
D2-5 Board Rule 7706  
D2-6 Closed Status/Claim Disposition Report  
D2-7 Property and Liability Monthly Claims Review (June)
District Recommendation 4:

To fully respond to the recommendation first tendered by the Comprehensive Evaluation Team in 2006, and to reflect a realistic assessment of financial resources, financial stability, and the effectiveness of short- and long-term financial planning for the district and the colleges, and in order to meet the Standards and Eligibility Requirements, the Teams recommend that the district adopt and fully implement as soon as is practicable an allocation model for its constituent colleges that addresses the size, economies of scale, and the stated mission of the individual colleges (IIID.1.b, IIID.1.c, IIID.2.c, IVB.3.c; Eligibility Requirements 17 and 18).

This recommendation calls for the District to develop, adopt, and fully implement a resource allocation model that addresses size, economies of scale, and college missions.

Actions Taken to Resolve the Recommendation:

In the spring of 2006, the District engaged a third party consultant to review the District’s budget allocation mechanisms to assure that small colleges were not being negatively impacted. Studies were conducted to find out whether the model contained inherent disadvantages for the smaller colleges in the District. Among the findings were that the District should move quickly to bring its internal budget allocation formula into alignment with the provisions of SB 361, adjust the allocation model to make assessments on a cost-per-FTES basis, and consider a different way of conducting assessments (D4-1 Report to Chancellor Young on Specific Matters Related to District Operations, October 5, 2006). In response to this report, the District formed the District Budget Committee (DBC) Budget Allocation Task Force in October 2006, comprised of stakeholders from both the small and large colleges, to review the District’s allocation model (D4-2 Budget Committee minutes).

The task force thoroughly discussed the findings contained in the independent studies and studied the impact of various draft allocation models. In January 2007, it issued its recommendations for a new budget allocation model (D4-3 Report of the Budget Allocation Task Force, January 2007) which was then formally adopted by the DBC. The 2007 LACCD allocation model paralleled the state budget formula as provided for in SB 361, distributing funds to the colleges on a credit FTES basis with a two-tiered basis for noncredit. However, it differed from the state formula in one critical respect -- it increased the foundation grant for the District’s four smaller colleges (Harbor, Mission, Southwest, and West) by $500,000 per year. This augmentation of the basic $3,000,000 foundation grant was made in acknowledgement of the additional administrative expenses incurred by the smaller colleges.

The task force also recommended that District-wide assessments be changed from a percentage of college revenue over total District revenue to a cost per FTES basis, in order to make the system more equitable. The task force further suggested that the District office budget allocation not be set at a fixed percentage and that its budget be periodically reviewed.

The budgetary challenges of the smaller colleges were also addressed though the Allocation Grant process. In 2007, the Chancellor established the Allocation Grant Task Force (AGTF) to allow colleges to apply for financial relief. To apply for financial relief, the college submitted
a fiscal self-study to assess the causes of its deficit. Members of the taskforce reviewed the data, visited the college, met with administrators, faculty, and staff, and issued recommendations to help the college reach financial independence. If the college followed these recommendations, a portion of the deficit was offset with funds from the District’s contingency reserve. Southwest College underwent the process in 2001-02, Harbor College in 2003-04, and Mission College in 2007.

In Spring 2007, the DBC decided that a college that ended the year in deficit for more than $500,000 or 1% of its budget (whichever is greater) would be required to submit a financial plan and participate in a quarterly review. To facilitate the review process, it was also decided to reconstitute the Allocation Grant Task Force as the Fiscal Policy and Review Committee (FPRC). With a broader charge than the original Allocation Grant Task Force, the FPRC began meeting monthly in July 2008 to address the situation of colleges that continue to experience budget difficulties and to consider new approaches for enhancing college fiscal stability (D4-3, Board adopted SB 361 New Allocation Mechanism, February 7, 2007).

As the result of this committee’s efforts, detailed budget deficit reduction plans were developed for Harbor, Mission, Southwest, Trade-Technical and Valley colleges. In addition, on January 7, 2008 the FPRC voted to augment the basic budget allocation formula for Los Angeles Trade-Technical College by the amount of $500,000 per year in recognition of the college’s historic career/technical education mission.

The allocation of resources is one of the District’s most challenging tasks. However, revisions made by the DBC to the allocation process in the past few years have created a more equitable and efficient system, and the District has continued to address this issue. In May 2011, the Executive Committee of the District Budget Committee (ECDBC) began reviewing the District’s budget allocation formula, examining base allocations, the use of ending balance policy, assessments for Educational Services Center (ESC) operations, enrollment growth targets, and the college deficit repayment policy, in addition to reviewing thoroughly other multi-college District models. The result was a recommendation to amend the SB 361 allocation model to a new budget allocation model with minimum base funding (D4-4 Amendment to the Budget Allocation Mechanism). The new model has two phases:

• Phase I increases the colleges’ basic allocation to include minimum administrative staffing and maintenance and operations (M&O) costs.

• Phase II calls for the ECDBC to study the remaining allocation agenda for allocation changes that identify college needs (including M&O), provide funding for colleges to deliver equitable access for students, and ensure that colleges are provided with sufficient funding to achieve their missions and maintain quality instruction and student services.

After vetting the proposed changes through the DBC and Chancellor’s Cabinet, the DBC approved the recommendations in March 2012, and sent them to the Board’s Finance and Audit Committee for review, the Board adopted the new budget allocation model in June 2012 (D4-5 Operating Standards and Measures for Monitoring and Assessment of College Condition).
Analysis of the Results Achieved to Date:

In response to this recommendation, first given to the District in 2006, the District has implemented the following activities:

- **October 25, 2006** – Chancellor appointed the Budget Allocation Task Force to study and develop a new budget allocation funding model
- **October 2006 – January 2007** – Budget Allocation Task Force worked on budget allocation issues, reviewed suggested changes, made recommendations for a new Budget Allocation Model, and reported updates on the Task Force progress to the District Budget Committee
- **December 2006** – Received consultant review and analysis on the “Budget Management Issues Related to New Allocation Model” and the “Economy of Scale Analysis, Small Colleges” from Michael Hill
- **December 2006** – Budget Allocation Task Force issued the DRAFT Budget Task Force Report and vetted through the District Budget Committee and Chancellor’s Cabinet
- **January 2007** – Budget Allocation Task Force issued Final Report of the Budget Allocation Task Force recommending to the District Budget Committee to implement the new SB 361 Funding model
- **February 7, 2007** – Board adopted the new SB 361 Budget Allocation Model to be implemented beginning fiscal year 2006-07
- **2007-08** Chancellor established the Grant Allocation Application Task Force (AGTF) to allow colleges to apply for financial relief
- **May 8, 2007** – Budget Allocation task Force reviewed Trade-technical College’s Vocational high cost/high demand programs
- **November 19, 2007** – Trade-Tech College provided the High Cost Program Analysis to the Allocation Grant Task Force (AGTF).
- **March 30, 2008** – Budget Allocation Task Force issued recommendation to provide relief for Trade Technical College
- **June 12, 2008** – Changed AGTF to Fiscal Policy and Review Committee (FPRC) to continue review and study funding and allocation issues
- **August 2008** – FPRC requested Harbor, Mission, Southwest, Trade, Valley, and West to submit their budget deficit plan for review
- **October 2008** – Colleges presented to the FPRC their budget deficit plans
- **October 15, 2008** – Chancellor appointed the Centralized Accounts Workgroup to review centralized functions and services
- **January 2009** – FPRC recommended funding growth over cap for colleges and provided relief to colleges with deficits.
- **February 18, 2009** – The Centralized Accounts Workgroup reported and made recommendations to the DBC for changes
- **July 2009** – CFO engaged consultant Larry Serot to review the District’s Resource Allocation Mechanism and small college operations
- **November 2009** – Larry Serot issued the “Analysis of Small Colleges and The Resources Allocation Mechanism”
- **March and April 2009** – FPRC reviewed Larry Serot’s report and recommendations
• **June –August 2010** – FPRC reviewed multi-district allocation models and Core indicators

• **August – November 2010** – Reviewed Use of Balance Policy and the current SB 361 Budget Allocation model

• **November 2010 – February 2011** – FPRC addressed fiscal year crisis due to the State Budget cuts and continued to review the Budget Allocation model

• **February 2011** – FPRC changed to Executive Committee of the DBC (ECDBC) and its roles were redefined

• **May 2011** – ECDBC established timeline to complete the budget allocation model review

• **June – July 2011** – ECDBC reviewed other multi-campus district budget allocation models (second time)

• **August 2011 – October 2011** – ECDBC proposed minimum base funding

• **November –December 2011** – Finalized the proposed new Budget Allocation changes

• **January 2012- March 2012** – Vetted the proposed Allocation changes through DBC and Chancellor’s Cabinet

• **June 13, 2012** – Board voted to adopt Amendment to the Budget Allocation Mechanism

• **June to present** – ECDBC studies alternative growth funding formulas in response to Phase 2 of the new budget allocation formula, which calls for a consideration of population density, participation rate, and other factors in determining growth funding.

The District Budget Committee is scheduled to evaluate the new model at the end of FY 2013 to see if the new plan is working to address the needs of the smaller colleges. The evaluation criteria will include the ability of each campus to have a positive ending balance. Based on the annual evaluation, if needed, the District will develop a plan to modify the budget allocation model. Progress on Phase II will be reported on an ongoing basis to the District Budget Committee. Full implementation of the new budget allocation model is expected by December 2013.

**List of Evidence for District Recommendation 4:**

D4-1  Report to Chancellor Young on Specific Matters Related to District Operations, October 5, 2006

D4-2  Budget Committee minutes, October 25, 2006


D4-4  Amendment to the Budget Allocation Mechanism, June 13, 2012

D4-5  Operating Standards and Measures for Monitoring and Assessment of College Condition
District Recommendation 5:

*To meet the Standard, the Teams recommend that the Board of Trustees make visible, in behavior and in decision-making, their policy role and their responsibility to act as a whole in the public’s interest. Further, the Teams recommend continuing professional development for the Board of Trustees to ensure a fuller understanding of its role in policy governance and the importance of using official channels of communication through the Chancellor or his designee. (IVB.1.a)*

This recommendation calls on the District’s governing board to understand their policy role, responsibility for acting as a whole in the public’s interest, and adherence to making sure that all communications with the staff involves the Chancellor or his designee.

**Actions Taken to Resolve the Recommendation:**

The Board’s formal policy on self-evaluation was adopted in 1995, and for 10 years, the Board used a checklist to evaluate its overall effectiveness. In June 2005, the Board amended its process, expanding to include, in addition, feedback from college presidents, District senior staff, and union and academic senate representatives, who regularly sit at the resource table during board meetings. Using this revised process, the Board conducts annual self-evaluations.

In 2007, the Board adopted a board rule to set goals as part of its annual self-evaluation (*D5-1 Board Rule 2301.10*). To increase follow-through and accountability at the District level, in 2010 the Board adopted a District Effectiveness Review Cycle, which aligns annual Board and CEO goals with District Strategic Plan (DSP) goals. The annual cycle includes Board evaluation, Board retreats, college activities in support of goals, institutional effectiveness reports, and District effectiveness reports that align with the DSP. At its retreats, the Board assesses District priorities and discusses processes for addressing them (*D5-2 District Effectiveness Review Cycle flow chart; D5-3 August 2011 Board retreat*).

While new Board members participate in an orientation and all receive training on their roles, the evaluations conducted in January 2012 (*D5-4 2012 Board Self-Evaluation*) indicated that some trustees may have needed more training on their roles and responsibilities, results that led to this recommendation from the Commission in June 2012.

In order to improve performance, the District implemented a thorough program of professional development, with ongoing board development every year henceforth to measure improvement. Training was held at three retreats to help Board members distinguish their responsibilities from those of the Chancellor, understand their roles in setting policy, and develop goals and objectives to address items noted in their evaluation.

The first Board retreat was held on February 21, 2012 with William “Bill” McGinnis. Since 1992, McGinnis has been a trustee for the Butte Glenn Community College District. He has also conducted trustee trainings for 25 community college districts and served as an instructor for the Community College League of California’s new trustee orientation program. At the February Board training workshop, McGinnis reviewed data from the Board’s latest evaluation and discussed the role of the board as it pertains to governance. After a question and answer session regarding the results of the Board of Trustee’s evaluation, the Board members discussed steps that
they could take to ensure the Board remains an effective and well-functioning body (D5-4 Board retreat agenda, February 21, 2012).

The second Board retreat was held on April 19, 2012 with John Dacey who reviewed with the Board a document entitled “Successful Boards versus Unsuccessful Boards—A Brief Conceptual Overview.” John Dacey is legal counsel to numerous public entities throughout the state. At the workshop, Dacey helped the Board members understand the challenges to successful Board membership (constituency, consensus, and cooperation). He emphasized that successful boards have skills sets that are possessed by all good leaders (vision, communication and motivation) and that successful Boards understand that a leadership group is stronger together than alone; each member and the group must allow staff to “carry the water”; and the role of the Board is to set policy and make sure that it is successfully implemented by staff. (D5-5 Board retreat agenda, April 19, 2012).

The third Board retreat was held on November 13, 2012 with Dr. John Nixon who was the eighth President/CEO of Mt. San Antonio College. Now retired, Dr. Nixon works with the ACCJC as an Associate Vice President focusing on Commission Policy and Training. During the retreat, Dr. Nixon reviewed key themes of the Board’s 2012 self-evaluation, discussed Board roles and their responsibility to act as a whole, and the importance of using the Chancellor as the board’s conduit for communication to the staff (D5-6 Board retreat agenda, November 13, 2012).

In January 2013, another self-evaluation was conducted to measure improvement. Overall responses to the 2013 survey were compared to those in 2012 to determine the areas in which there was an increase in measured commitment. The Administration and Finance areas of the survey had a relatively high proportion of items that exhibited a net increase in commitment. In the Administration section, five out of seven survey questions displayed increased commitment and in the Finance section, two out of three also displayed increased commitment. Based on these survey responses, there has been an increase in commitment in these areas of Board responsibility (D5-7 Board of Trustees Evaluation Report Comparison Summary Report 2012-2013).

While the Administration and Finance areas showed an increase in commitment, the Community Relations and Education areas experienced the least improvement. Therefore, the Board will develop concrete action items to improve and will assess progress in the next evaluation.

Additionally, to reinforce the role of the Chancellor as the Board's conduit for communication to staff and to address the issue of Board behavior, all Board members completed the ACCJC's online accreditation training. Furthermore, Board Rule 2300.10 (Code of Ethical Conduct) and Board Rule 2105 (The Board of Trustees) were revised in December 2012 and approved on January 30, 2013 to include the following language:

“I recognize that the Chancellor is the Trustees’ sole employee; I pledge to work with the Chancellor in gathering any information from staff directly that is not contained in the public record.”

“Respect. As a Trustee, I will treat others with respect, even in disagreement, and to do my best to earn the respect of others. Being respectful requires civility and courtesy, as well as tolerance for
legitimate differences and a willingness to acknowledge that reasonable people can respectfully hold divergent views."

“Orientation. Within budgetary limits, Trustees shall be encouraged to attend conferences and other educational sessions regarding their responsibilities as Trustees.”(D5-8 Board Rule 2300.10, D5-9 Board Rule 2105, and D5-10 Board of Trustees Certificates of Completion for the ACCJC's Online Accreditation Basics Training)

Analysis of the Results Achieved to Date:

The 2013 Board of Trustees self-evaluation demonstrated improvement over the prior year. However, after three retreats, participation in the ACCJC online accreditation basics training, and a substantial improvement in the evaluation response rate, there are several areas that still need improvement. For example, concerns about inadequate preparation for meetings, trustee reliance on executive staff, and instances of micro-management were noted in the comments section of the survey.

Since the Board's self-evaluation was not concluded until February 6, 2013, a top priority of the Board will be to develop an actionable improvement plan that addresses the WASC standards and deficiencies that were noted in the evaluation. Meanwhile, the Board will continue to review its performance on an ongoing basis, commit to ongoing training and continuing education for trustees, and commit to supporting the Chancellor in the authority given to him to administer board policies and administrative procedures.

On March 19, 2013, the Board will hold a special session to develop the actionable improvement plan. The retreat session will include:

- A review of relevant accreditation standards
- A review of WASC recommendations and the response to those recommendations
- A discussion of the relationship between accreditation recommendations and board evaluation survey results
- A discussion of additional action to be taken to ensure conformance to WASC standards

Discussion of the issues and evidence of the progress being made will occur at subsequent follow-up retreats. The Board acknowledges the deficiencies noted in the last evaluation and will openly address each of them.

List of Evidence for District Recommendation 5:

- D5-1 Board Rule 2301.10
- D5-2 District Effectiveness Review Cycle flow chart
- D5-3 August 2011 Board retreat
- D5-4 Board of Trustees agenda, February 21, 2012
- D5-5 Board of Trustees agenda, April 19, 2012
- D5-6 Board Trustees agenda, November 13, 2012
Accuracy of the Financial Reports submitted by the Colleges:

In a letter from the ACCJC dated February 5, 2013, the Commission noted a concern from the financial reviewer report regarding the accuracy of the financial reports submitted by the colleges as part of the current ACCJC annual fiscal review. The team recommended that the District and nine colleges both individually and collectively submit the information so that the information is consistent and submitted using the same format.

In February of 2012, the CFO/Treasurer and Budget Director contacted the colleges and after receiving email instructions from Dr. Norval Wellsfry, Associate Vice President of the Commission, determined which questions would need to be answered by the District and which would need to be answered by the colleges. The Budget Director then instructed each college to complete their portion of the report, print it out, and send it to the District Office prior to submission for review.