

December 24, 2019

Keely Martin Bosler, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Ms. Keely Martin Bosler,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Board of Governors of the California Community Colleges submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2019.

Should you have any questions please contact Daisy Gonzales, Deputy Chancellor, at (916) 323-7007, dgonzales@cccco.edu.

GOVERNANCE

Mission and Strategic Plan

The mission of the California Community Colleges (CCC) Board of Governors and the Chancellor's Office is to empower the community colleges through leadership, advocacy, and support. The CCC is the largest system of higher education in the United States serving approximately 2.1 million students. There are currently 73 districts and 115 colleges within the system. Members of the Board of Governors are appointed by the Governor and in turn the Board of Governors appoints the Chancellor.

Eloy Ortiz Oakley was appointed Chancellor in December 2016 and previously served as the president of the Long Beach Community College District. Chancellor Oakley champions the mission of the CCC system through advocacy for all students throughout the state. In 2017, the Board of Governor's *Vision for Success* was adopted and outlines the following six goals for the system:

1. Increase by 20 percent the number of CCC students annually who acquire associate's degrees, credentials, certificates, or specific skill sets that prepare them for an in-demand job.
2. Increase by 35 percent the number of CCC students system-wide transferring annually to a UC or CSU.
3. Decrease the average number of units accumulated by CCC students earning associate's degrees.
4. Increase the percent of exiting Career Technical Education students who report being employed in their field of study.
5. Reduce equity gaps.
6. Reduce regional achievement gaps.

The Chancellor's Office critical areas of responsibility are:

College Finance and Facilities Planning. Oversees policies that determine the distribution of local assistance and capital outlay funds for the districts that make up the CCC. Division staff oversee the allocation of state apportionment funds, attendance accounting, budget and accounting structure, fiscal

reporting procedures, contracted district audits, capital outlay plans, and the construction and remodeling of new buildings and centers.

Digital Innovation and Infrastructure. Strives to improve student experiences and outcomes through technology-focused initiatives and delivering high-quality information technology services throughout the college system.

Educational Services and Support. Committed to students getting the high-quality curriculum, support, and instructional services that they deserve. The division is responsible for providing leadership, oversight, and assistance for the Bachelor's Degree Program, Basic Skills and English as a Second Language, Currently and Formerly Incarcerated Education, Curriculum and Instruction, Distance Education, Flexible Calendaring, Guided Pathways, Library and Learning Resources, Mathematics, Engineering and Science Achievement (MESA), Middle College High School, Noncredit Education, Open Education Resources, the Puente Project, and Transfer Model Curriculum.

Governmental Relations. Represents the Chancellor's Office before the Legislature, Congress, and executive branches of the state and federal governments. In addition, it is responsible for formulating and advancing the legislative agenda of the system.

Institutional Effectiveness. Focused on making sure the CCC is effectively serving its students largely by overseeing the Institutional Effectiveness Partnership Initiative (IEPI). IEPI seeks to enhance the system's ability to improve student success in measurable ways. An important focus of IEPI is to draw upon the expertise and innovation that exists with the system to advance promising practices.

Internal Operations. Administers the support services needed to help the Chancellor's Office pilot the strategic success of the CCC and its students. The division is responsible for meeting the significant needs of the Chancellor's Office and community colleges by delivering a broad range of support services in human resources, business services, and accounting.

Office of Communications and Marketing. Charged with developing and maintaining the CCC statewide website with a focus on fostering success among current and prospective students. The communications team manages media relations and social media; determines style guides for writing, graphics and web; publishes reports to the Governor and Legislature; creates strategic marketing pieces; and more.

Office of the General Counsel. Provides legal counsel to the Board of Governors, the Chancellor, and Chancellor's Office staff as requested; drafts and reviews proposed legislation and regulations; reviews all contracts and grants entered into by or on behalf of the agency; coordinates with the Attorney General's Office in litigation where the Board of Governors is a party; anticipates the need for and recommends new legal policy; and provides advice and assistance to community college district officials on interpreting or implementing laws affecting community colleges.

Workforce and Economic Development. Responsible for supporting instruction, managing grants to community colleges, providing technical assistance, and implementing strategic special programs. The division is composed of three units: Career Education, Workforce and Economic Development, and Nursing and Allied Health. The division staff coordinates jobs and career opportunities for community college students to advance California's economic growth and global competitiveness.

Control Environment

Oversight of the Chancellor's Office is ultimately the responsibility of the Board of Governors, which appoints the Chancellor and has authority to set policy for the Chancellor's Office and the community college system. Although the Chancellor's Office does not have an independent internal audit function, the Chancellor has established an executive monitoring team and a team of accountability leads, composed primarily of supervisors, to promote accountability throughout the office and oversee risk assessment activities. The accountability leads maintain documentation to identify key internal controls in place to address identified risks. Although the Chancellor's Office does not have all business processes and controls documented, policies and procedures are reviewed and updated on an ongoing basis so all employees have a consistent understanding and resource for business processes and controls related to hiring, procurement, contract administration, and business services.

The organizational structure of the Chancellor's Office clearly defines areas of responsibility and authority and reporting lines for the office. The organizational structure is reviewed periodically to ensure that it continues to align with the mission and current objectives, and that programs, workload, and resources are balanced to avoid excessive pressures.

Chancellor's Office executive management demonstrates integrity and ethical values both through example and communication of expectations. Staff at all levels are periodically required to acknowledge receipt of an expectations memo which establishes expectations for competency and accountability. Staff are expected to demonstrate proficiency in statewide core competencies, demonstrate initiative as part of a team, perform all duties assigned in a professional and positive manner, maintain excellent customer service, submit completed work by established deadlines, keep managers informed, and follow established office policies and procedures. Staff are held accountable to these expectations and subject to performance appraisals and disciplinary actions as warranted.

Information and Communication

The California Community Colleges is guided by a process of participatory governance, and the Board of Governors meets publically every other month to set policy and provide guidance to the system. The Board of Governors is dedicated to ensuring representatives from all levels of the community college system have a voice on policy decisions. This includes a Consultation Council made up of 18 representatives of institutional groups, labor unions, and students to help develop and recommend policy to the Chancellor and the Board of Governors. The Consultation Council meets monthly to review and evaluate policy proposals and related issues.

Chancellor's Office internal channels of communication include monthly all staff meetings and weekly written updates from each unit to the executive management team. Executive and division management teams meet regularly in person to discuss emerging issues and program status. Division leaders hold regular meetings with all staff to communicate information from the executive level. Staff are encouraged to share ideas and provide feedback to all levels of management. The Chancellor's Office also maintains a public facing feedback form available to all employees of the system and members of the public for submission of questions, comments, suggestions, and complaints. Information received through the feedback form is shared on a regular basis with the Office of General Counsel and executive management to determine if further action is warranted.

To communicate essential information, changes to reporting requirements, and progress toward implementing new policies and procedures, the Chancellor's Office issues memos and guidance both internally and externally through agency and system-wide emails and the agency Intranet. Through the

work of the Institutional Effectiveness Division and other partner organizations, information and guidance for the system is also provided through workshops, webinars, and conferences. The Communications Division maintains the Chancellor's Office website which includes program guidelines and manuals and informational reports to the system, legislature, and public.

The Chancellor's Office is responsible for providing funding and program oversight to the system for state general apportionments and over fifty funding streams and categorical programs. As such, the Chancellor's Office must collect and communicate a large volume of relevant and reliable information for operational, programmatic, and financial decision making. To determine funding levels and program performance, financial data, and other metrics are collected regularly from districts and other sources. Data is collected through numerous stand-alone applications and the DataMart maintained by the Digital Innovation and Infrastructure Division. The Chancellor's Office is in the process of improving data management practices internally and throughout the community college system.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Board of Governors of the California Community Colleges monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Daisy Gonzales, Deputy Chancellor; Frances Parmelee, Assistant Vice Chancellor of College Finance; Wrenna Finche, Director of Fiscal Standards and Accountability; Kelley Maddox, Vice Chancellor of Internal Operations; and Marc LeForestier, General Counsel.

The Chancellor's Office has established an executive monitoring team and a team of accountability leads. The mission of the teams is to strengthen and align Chancellor's Office operations to the *Vision for Success* through the application of guidelines, best practices, and internal control principles adopted by the State of California. To achieve this mission, the executive monitoring team relies on the regular risk monitoring activities and reports of the accountability leads.

The accountability leads are charged with coordination of ongoing risk assessment activities within their respective divisions. Accountability leads solicit input from staff involved with day-to-day operations, identify activities and internal controls in place or needed to mitigate risks, consider the effectiveness of controls, determine if changes are needed, and communicate risks, mitigating activities, and recommendations for improvements with division leadership and the executive monitoring team. Accountability leads meet every other month to discuss division and agency issues and provide regular written updates to the executive monitoring team.

To support the accountability leads in ongoing risk monitoring efforts, executive vice chancellors and vice chancellors incorporate a recurring discussion regarding internal and external risks to operations, reporting, and compliance into existing monthly division staff meetings and review and approve the accountability lead's ongoing risk updates to the executive monitoring team. The executive monitoring team makes final determinations and assigns responsibility to address vulnerabilities as warranted

RISK ASSESSMENT PROCESS

The following personnel were involved in the Board of Governors of the California Community Colleges risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, and consideration of potential fraud.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

To evaluate and rank the risks identified by the accountability lead team, the executive sponsor team meets regularly to determine the areas that have the highest impact on operations. The highest level risks identified are those which affect multiple divisions, would require multiple divisions working together to mitigate or resolve, and/or would adversely impact the Chancellor's Office ability to achieve the goals outlined in the *Vision for Success*.

RISKS AND CONTROLS

Risk: Recruitment and Retention Could be Improved

A recent workforce gap analysis highlighted workforce challenges and trends related to recruitment and retention and led to the adoption of the Chancellor's Office Workforce Plan. Without successful recruitment and retention activities, the Chancellor's Office is at risk of having vacancies in critical positions, which would increase the risk that some oversight and monitoring activities may not occur and the *Vision for Success* goals and commitments may not be met.

Divisions have a difficult time recruiting for the specialist classification because it requires candidates to have at least one year of work experience at a college, which creates a very small candidate pool. In addition, some classifications used are outdated or no longer relevant with competencies and skills no longer in alignment with the current workload. Retention is also difficult because of lack of promotional opportunities due to the classification requirements and a limited number of available positions. Difficulties in recruitment and retention are compounded by the fact the community colleges offer salary and benefits substantially greater than the Chancellor's Office can offer for similar positions.

The goal of the Chancellor's Office Workforce Plan is to develop and implement initiatives over the next five years that will aid the Chancellor's Office in addressing several identified workforce gaps. To address recruitment, retention, and staffing levels, the Workforce Plan includes recruitment and retention initiatives in the three to five year timeframe to develop a survey designed to determine why employees stay at the Chancellor's Office, develop a mentoring program, identify competencies needed in each position, develop training plans for each division, and work with CalHR to review and update classification specifications. In addition, the following recruitment and retention initiatives are on track to be implemented within the next two years:

Control: Diversity and Inclusion Program

The Chancellor's Office plans to develop and implement a diversity and inclusion program, based on a CalHR model, designed to educate employees on the advantages of a diverse and inclusive workforce. The program may include targeted recruitment strategies designed to strengthen the Chancellor's Office workforce.

Control: Employee Recognition Program

The Chancellor's Office plans to develop and implement an employee recognition program, based on a CalHR model, to further a culture of recognition. This program will help the Chancellor's Office retain and develop high achieving and innovative employees.

Control: Employee Opinion Survey

An employee opinion survey was recently conducted with results to be available in January 2020. Survey results will provide insight into what employees think about working at the Chancellor's Office and help identify areas for improvement and potential retention strategies.

Control: Onboarding Program

The Chancellor's Office is developing an onboarding program to assist employees in acclimating to the agency. Data will be collected from new and separating employees to gain insight on recruitment and retention strategies.

Control: Develop Targeted Recruitment Strategies

Targeted recruitment strategies for hard-to-recruit positions will be developed and implemented. The Chancellor's Office has recruitment challenges for positions that require specific expertise and may consider developing new marketing materials, job advertisements, alternate outreach strategies, and partnerships with local colleges and universities.

Risk: Reliance on Key Personnel

The Chancellor's Office is staffed with approximately 140 active employees to oversee the largest system of higher education in the nation. The agency frequently relies on a specific individual for knowledge and expertise in critical areas such as apportionment calculations, regulatory reporting requirements, information technology, academic reviews, and oversight and administration of contracts and grants. The *Vision for Success* highlights the importance of establishing a clear focus on student success, and providing continuous support to colleges as they strive to achieve these goals. For the Chancellor's Office, this requires additional staffing resources combined with ongoing professional development to develop a workforce with the capacity to address the needs of the system.

The loss of key personnel could result in the loss of technical expertise, loss of institutional knowledge, insufficient program monitoring and oversight, and delayed processing or reporting which could adversely affect funding for CCC programs. In many program areas, there are new staff hired within the last two years that do not yet possess in-depth program knowledge. The specialized and complex nature of CCC operations results in a steep learning curve for new staff and could contribute to delays

and errors in daily processes. Inadequate staffing could adversely affect the Chancellor's Office ability to serve the 2.1 million students in the CCC system.

The goal of the Chancellor's Office Workforce Plan is to develop and implement initiatives over the next five years that will aid the Chancellor's Office in addressing several identified workforce gaps. To address key person dependency, the Workforce Plan includes initiatives in the three to five year timeframe for a planned mentoring program, competency identification for each position, job rotation and cross-training, and development of desk manuals and divisional training plans. In addition, the following succession planning and knowledge transfer initiatives are on track to be implemented within the next two years:

Control: Succession Plan

The Chancellor's Office participated in the 2019 CalHR Spring Succession Planning Cohort is in the process of developing a succession plan that will address reliance on key personnel.

Control: Individual Development Plans and Performance Reviews

The Chancellor's Office is in the process of updating procedures and training supervisors and managers on reviewing staff's individual development plans and conducting annual performance appraisals. These activities will help identify professional development opportunities and emphasize a culture of learning at the Chancellor's Office.

Control: Develop and Maintain Policies and Procedures

Policies and procedures are being developed and reviewed on an ongoing basis in order to close knowledge gaps. The Chancellor's Office will continue to update the Administrative Manual so all employees have a consistent understanding and resource for business processes related to hiring, procurement, contract administration, and business services.

Risk: Additional Resources are Needed

The Chancellor's Office oversees the allocation of over \$8.5 billion in funds and compliance with numerous laws and regulations for the largest system of higher education in the nation. This is done with a relatively small state general fund allocation of \$18.4 million that supports approximately 140 employees. A properly resourced Chancellor's Office is essential to ensuring local community colleges meet the multiple missions assigned to it. The Chancellor's Office will play a critical role ensuring the colleges achieve the goals enumerated in the *Vision for Success*, which in turn will contribute to preparing California's population for the changing environment of the workforce. Without sufficient resources for the Chancellor's Office, there is increased risk that the *Vision for Success* goals and commitments will not be met.

Control: Advocacy for Expansion of State Supports to Serve System Needs

The Chancellor's Office engages in ongoing advocacy to expand state supports to serve system needs. The 2020-21 Budget and Legislative Request includes:

- Establishment of a state system of support budget line item to consolidate certain local

- assistance and set-aside funds for administrative purposes.
- Expansion of the Chancellor's Office Research and Planning Unit.
- Support for expansion of affordable student housing projects and establishment of a Chancellor's Office Student Housing Unit.
- Establishment of a Chancellor's Office Energy and Environmental Sustainability Unit.
- Continued support of a library services platform.
- One-time funding for system awareness and outreach.
- Additional core operational support through funding thirteen critical positions.
- Establishment of general fund support to replace certain budgeted reimbursement funding and ensure positive cash flow.

Risk: FI\$Cal Functionality is Inadequate

The conversion to FI\$Cal continues to cause disruptions and delays for the accounting process. FI\$Cal implementation has been onerous, problematic, and has required significant staff time dedicated to training and development and communication of new procedures. Although progress has been made and the Chancellor's Office is now transacting completely in FI\$Cal, payments of grants and contracts may still be delayed, critical information may be incomplete or inaccurate, and the standard reporting functionality is not adequate to meet the needs of the agency.

Control: Ongoing Training in FI\$Cal

Ongoing training in FI\$Cal, especially for the reporting process, is planned for existing and new staff in the accounting unit. Training in the reporting process will ensure that staff are aware of and able to access all available reports. Additionally, accounting staff will understand reporting limitations and gain the ability to clearly communicate FI\$Cal information that is reliable and relevant for decision making.

Control: Develop and Implement Policies and Procedures

Accounting staff will continue to develop FI\$Cal related instructions, policies, and procedures. Maintaining written instructions, policies, and procedures will ensure that essential FI\$Cal knowledge is consistent and readily available.

CONCLUSION

The Board of Governors of the California Community Colleges strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Eloy Ortiz Oakley, Chancellor

CC: California Legislature [Senate (2), Assembly (1)]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency