December 29, 2025

Joe Stephenshaw, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Joe Stephenshaw,

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, 2025.

Should you have any questions please contact Chris Ferguson, Executive Vice Chancellor, Finance and Strategic Initiatives, at (916) 322-4488, chris.ferguson@cccco.edu.

GOVERNANCE

Mission and Strategic Plan

The mission of the California Community Colleges Board of Governors and the Chancellor's Office is to empower the community colleges through leadership, advocacy, and support. The California Community Colleges is the largest system of higher education in the United States serving over 2.2 million students. There are currently 73 districts and 116 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.

Dr. Sonya Christian has served as the Chancellor of the California Community Colleges since June of 2023. Chancellor Christian champions the mission of the California Community Colleges system through advocacy for all students throughout the state. With Chancellor Christian's leadership, the Board of Governors recently adopted the 2025 version of Vision 2030, which serves as a roadmap for California Community Colleges. Vision 2030 calls for thoughtful action for policy reform, fiscal sustainability, systems development, and for process and practice reform in the field – to support our students, our communities, and our planet. Vision 2030 builds upon the foundation set by the 2017 Vision for Success and evolves to meet the needs of today's students and California's future learners. Vision 2030 targets actions in three strategic directions: equitable baccalaureate attainment, equitable workforce and economic development, and the next frontier-implications for the future of learning; with three primary goals: equity in success, equity in access, and equity in support.

The Chancellor's Office is comprised of ten divisions that are charged with driving transformational change and providing administrative, communications and legal support to the system. 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 California Community Colleges. Division staff oversee the allocation of state apportionment funds, budgets and accounting, attendance accounting, financial and compliance reporting, contracted district audits, capital outlay plans, affordable student housing, and the construction and remodeling of new buildings and centers.

Institutional Effectiveness. Focused on making sure the California Community Colleges is effectively serving its students largely by overseeing statewide professional development activities and 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.

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 advancing the goals of the Vision 2030 through legislation and securing budget investments.

Information Security, Technology and Innovation. Ensures that the California Community Colleges has access to the technology, research and data needed to enable students from all backgrounds to succeed in reaching their goals.

Research, Analytics and Data. Responsible for research and evaluation leadership and services to support systemwide decision making and inquiry. The Research, Analytics and Data unit monitors system, district and college performance to inform strategies that will help the system achieve its goals and commitments. This work helps staff to make better evidence-based decisions and drive continuous improvement.

Educational Services and Support. Committed to students receiving 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, middle college high school, noncredit education, open education resources, the Puente Project, and transfer model curriculum.

Workforce and Economic Development. Focused on preparing California Community College students and individuals with flexible and manageable workforce training and career

pathways that result in high-skill and high-wage employment and propel the local and regional economies of the state of California. Responsible for supporting instruction, managing grants to community colleges, providing technical assistance, and implementing strategic special programs.

People and Culture Operations Office. Administers the support services needed to help the Chancellor's Office pilot the strategic success of the California Community Colleges 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 and business services.

Office of Communications and Marketing. Supports system-level institutional transformation by developing communications strategies that drive forward equity-centered student success and inform the public, policymakers, community colleges and Chancellor's Office employees of community college news.

Office of General Counsel. Provides legal advice to the Board of Governors and the Chancellor's Office to support their leadership in creating more equitable outcomes.

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 are guided by a process of participatory governance, and the Board of Governors meets publicly 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 19 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 regular all staff meetings. Executive and division management teams meet regularly to discuss emerging issues and program status. Division leaders hold regular meetings with their teams 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 inform the office's operations.

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, conferences, and social media platforms. 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 Research, Analytics and Data Division. The Chancellor's Office continues to work to improve 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: Chris Ferguson, Executive Vice Chancellor, Finance and Strategic Initiatives; Sonya Christian, Chancellor.

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 Vision 2030 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 quarterly 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 Vision 2030.

RISKS AND CONTROLS

Risk: Retention and Reliance on Key Personnel

The Chancellor's Office is staffed with approximately 200 positions 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. Vision 2030 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 California Community Colleges 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 California Community Colleges 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 our over 2.2 million students.

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 retention and 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 Planning

Like many departments across the state, the Chancellor's Office has identified succession planning as a significant risk to the organization as many key personnel reach retirement age. In order to retain and cultivate the knowledge and expertise needed to continue to meet the goals outlined in Vision 2030; the Chancellor's Office is updating its Succession Plan. The Succession Plan will be updated and implemented within 3-5 years of the adoption of this Workforce Plan.

Control: Mentoring Program

The Chancellor's Office intends to leverage the resources provided for departments that are interested in developing an employee mentorship program. It is likely that mentoring will be one strategy utilized in the succession planning program initiatives; however, an additional long-term initiative, utilizing

a CalHR template, will also allow for development of a more formal mentoring program with multi-directional recognition for staff at all levels and interests.

Control: Employee Recognition Program

As part of our continued focus on retention and employee engagement, the Chancellor's Office will review and update the current Employee Recognition Program. This initiative aims to ensure recognition efforts are meaningful, inclusive, and aligned with the evolving needs of our workforce. The review will explore ways to better promote and utilize existing recognition programs, while also engaging employees and leadership in identifying new and creative approaches to celebrate achievements, milestones, and everyday contributions. By fostering a culture of appreciation, this control will support retention efforts and strengthen employee morale, connection, and a sense of belonging across the organization.

Control: Implement Desk Manual Policy

The risk of employee turnover/knowledge transfer is being addressed by creating and implementing a desk manual policy. This will include a desk manual template and dedicated timeline for all employees to have a desk manual for their position. The Chancellor's Office is in the planning phase of piloting a desk manual template and creating the policy.

Control: Provide Training to Staff Based on Core Competencies

The Chancellor's Office conducted a competency survey and the data has been analyzed. The People and Culture Operations Office will work with supervisors to create a training plan based on the needs of their unit and where the staff need to focus to enhance their skill set. Planning has begun on the outreach to unit supervisors on divisional trainings.

Risk: Generative AI Literacy

The adoption of Generative AI (GenAI) presents exciting opportunities to enhance productivity, creativity, and service delivery across the agency. To fully realize these benefits, it's important to thoughtfully address associated risks such as protecting sensitive data , how to appropriately understand the uses of AI technologies, and determining if our agency's potential use of AI is aligned with state policy and compliance standards. While current security and technical resources are limited, the agency is committed to building capacity and leveraging collaborative solutions to responsibly evaluate and manage these risks. By promoting awareness and providing clear guidance, the agency can empower business staff to use Generative AI (GenAI) tools effectively and securely, ensuring innovation is balanced with accountability and sound decision-making.

Control: Comprehensive Guidelines

The Chancellor's Office has developed comprehensive guidelines to support the responsible use of GenAI, providing staff with clear direction and expectations. These resources encourage alignment with state policies and recognized best practices, empowering staff to use GenAI tools confidently and securely.

Control: Training for Staff

To ensure all staff are informed about GenAI-related risks and safeguards, the Chancellor's Office assigns a brief mandatory information security training focused on GenAI that staff will take on an annual basis. In addition, the Chancellor's Office offers optional business-oriented training to help staff explore GenAI's potential, understand its limitations, and apply it effectively in their roles.

Control: Monitoring

The Chancellor's Office leadership actively monitors statewide GenAI developments and evolving industry standards. Guidance is updated as needed to ensure continued alignment with state direction, enabling the agency to stay ahead of emerging trends and regulatory expectations.

Risk: Office Resources Needs

To adequately develop, implement, and oversee programs that support Vision 2030, the implementation of the Master Plan for Career Education, and the Governors Roadmap for the Future, the Chancellor's Office requires additional resources. The Governor's Roadmap for the Future is intended to advance equity, student success, and the system's ability to prepare students for California's future. The Roadmap is part of the Administration's agenda to help the state reach a goal of having 70% of working-age Californians possess a degree or credential by 2030. The Master Plan for Career Education focuses key state agencies and higher education institutions toward preparing learners for evolving workforce needs by enhancing career pathways, emphasizing practical skills, developing career passport, and improving access and affordability through streamlined collaboration. Recent budget investments across higher education aim to support students to improve educational outcomes, close equity gaps, address basic needs, develop career passports, and increase affordability.

The Chancellor's Office plays a critical role in ensuring colleges are able to achieve the goals enumerated in Vision 2030, the Master Plan for Career Education, and the Governor's Roadmap for the Future, which in turn will contribute to preparing California's population for the changing environment of the workforce, especially as climate change continues to shape future workforce needs. Without sufficient resources for the Chancellor's Office, there is increased risk that Vision 2030, the Master Plan for Career Education, and the Governor's Roadmap for the Future goals and commitments will not be met.

The Chancellor's Office oversees the allocation of over $14 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 $25.7 million that supports approximately 190 active employees. The Chancellor's Office functions include leadership to advance equitable student outcomes, support and guidance to nearly 90,000 system faculty and staff, oversight of over 100 categorical programs and funding streams, and accountability for state and federal laws and regulations. A properly resourced Chancellor's Office is essential to ensuring local community colleges meet the multiple missions assigned to it.

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 2026-27 Budget and Legislative Request includes a request for additional funding and position authority for twenty-seven positions:

- 6 positions to establish a Contracts Oversight Unit to provide upfront assistance and consistency in our contracting processes and enhance oversight of the approximately 600 contracts, agreements, and MOUs the Chancellor's Office oversees.
- 4 positions in the Educational Services and Support Division to provide additional leadership and staff support for Vision 2030 priorities.
- 3 positions for Program Operations and System Initiatives to support the Chancellor's Office in building out the systems, policies, and practices to directly advance Vision 2030.
- 3 positions in the Information, Security, Technology and Innovation Division to assist in building out the technology infrastructure to deploy smart solutions for our existing students and future learners.
- 4 positions in the Workforce and Economic Development Division to strengthen the capacity to support local programs and grants, and to ensure colleges remain agile and responsive to evolving workforce needs.
- 4 positions to establish an Office of Civil Rights to support development of systemwide, centralized model policies and procedures that ensure compliance, consistency, and accessibility with Title IX requirements.

- 2 positions in the Office of General Counsel to support the increased need for legal advice and resources due to new statewide community college programs and substantial changes at the federal level.
- 1 position in the College Finance and Facilities Planning Division to support the implementation of recent state audit recommendations.

Control: Development of Comprehensive Cost Analysis for Legislative Proposals

The Chancellor's Office has established a process and set of tools and resources to develop comprehensive cost analyses for legislative proposals with the goal of providing thorough and accurate information for decision making to state legislators. The cost analysis process and tools are designed to provide analysis that adequately reflect the true costs of establishing new programs or enacting new legislation including but not limited to costs to implement new initiatives and provide technical assistance and guidance to colleges.

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.

Sonya Christian, Chancellor

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