



2017 REPORT

State Leadership Accountability Act Report

California Community Colleges Chancellor's Office | Eloy Ortiz Oakley, Chancellor

December 22, 2017

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

Dear Mr. Michael Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the Board of Governors of the California Community Colleges submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2017.

Should you have any questions please contact Frances Parmelee, Assistant Vice Chancellor of College Finance, at (916) 445-0540, fparmelee@cccco.edu.

BACKGROUND

Background:

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 72 districts and 114 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 Oakley Ortiz was appointed Chancellor in December 2016 and previously served as the President of the Long Beach Community College District. Chancellor Ortiz champions the mission of the CCC systems through advocacy for all students throughout the state. In 2017, the CCC *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 associates 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 CTE 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:

Academic Affairs. Responsible for providing state-level review of community college curriculum and instructional support activities. The division provides leadership and technical assistance to enhance the capacity of the community colleges in the areas of academic planning, review and approval of credit degrees and certificates, library and learning resources, technology strategic planning, basic skills/ESL intersegmental policies, program development and coordination, credit/noncredit adult education, and Fund for Student Success (FSS) -- Mathematics, Engineering, Science Achievement (MESA) program, Puente Project, and Middle College High School (MCHS) program.

Communications and Marketing. Charged with developing and maintaining the CCC statewide website created specifically to foster success among prospective and current students. The communications team also manages media relations; determines style guides for writing, graphics and web; publishes reports to the Governor and Legislature; and creates timely marketing pieces.

College Finance and Facilities Planning. Oversees the formulation of policies that determine the distribution of local assistance and capital outlay funds for the 72 community college districts. 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.

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

Institutional Effectiveness. Oversees the development and operation of a comprehensive technical assistance program to further student success. The program overlays every division of the Chancellor's Office – including academic affairs, student services, economic and workforce development, research, and fiscal - and will develop a framework of indicators focused on accreditation, fiscal viability, student performance, and compliance with state and federal guidelines.

Internal Operations. Responsible for the strategic direction, leadership, and oversight of the Chancellor's Office's internal operations which includes Accounting, Budgets, Business Services, Contracts and Grants, and Human Resources. The division is responsible for ensuring organizational effectiveness through the formulation, implementation and evaluation of the policies and procedures pertaining to operational processes, coordinating daily tasks, developing project plans crossing division and agency lines and resolving issues impacting Chancellor's Office's operations and finances.

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 the agency; coordinates with the Attorney General's Office in litigation where the board of governors is a party; and anticipates the need for and recommends new legal policy.

Student Services and Special Programs. Provides leadership and technical assistance for policy and programs that support student access, equity and success. The division administers more than \$250 million annually in categorical and grant funds that help colleges provide support services across the campus and supplemental services for special populations.

Digital Innovation and Infrastructure. Strives to improve education and educational services and are committed to innovation and student success. They develop programs and partnerships that change the way educational institutions operate and educate students.

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

ONGOING MONITORING

As the head of Board of Governors of the California Community Colleges, Eloy Ortiz Oakley, Chancellor, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

Executive Monitoring Sponsor(s)

The executive monitoring sponsor responsibilities include facilitating and verifying that the Board of Governors of the California Community Colleges internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Frances Parmelee, Assistant Vice Chancellor of College Finance, and Wrenna Finche, Director of Fiscal Standards and Accountability.

Monitoring Activities

The Chancellor's Office executive staff and management teams meet frequently to review and discuss existing and proposed processes that will improve the efficiency and effectiveness of agency operations. Meetings include discussion of emerging issues and implementation progress for necessary changes to policies and procedures. Management promotes integrity and ethical values and holds agency staff accountable to the seven core commitments outlined in the CCC *Vision for Success*:

1. Focus relentlessly on students' end goals.
2. Always design and decide with the student in mind.
3. Pair high expectations with high support.
4. Foster the use of data, inquiry, and evidence.
5. Take ownership of goals and performance.
6. Enable action and thoughtful innovation.
7. Lead the work of partnering across systems.

Addressing Vulnerabilities

The executive management team considers the overall responsibilities of each division and delegates responsibility and authority to the appropriate key roles throughout the agency. As vulnerabilities or changes in legislation and other requirements are identified, the management team communicates with agency staff to discuss the appropriate response and mitigation steps to be taken. To monitor the implementation of new policies and procedures, activities are documented and discussed at follow-up meetings which occur on a regular basis until the risk is deemed non-threatening.

Communication

Executive and division management teams meet regularly in person to discuss emerging issues and program status. Staff are encouraged to share ideas and provide feedback to all levels of management. 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, the agency intranet, and monthly all-staff meetings.

On-Going Monitoring Compliance

The Board of Governors of the California Community Colleges is in the process of implementing and documenting the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the Board of Governors of the California Community Colleges systems of controls and monitoring.

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.

Risk Identification

To identify the potential risks faced by the Chancellor's Office, meetings were held with each division/unit. The meetings included a mix of personnel at all levels of management and staff. At the meetings, participants were invited to brainstorm "what could go wrong" in their division/unit and the related likelihood and magnitude. Next, mitigating activities and controls in place were identified. Finally, the potential risks were discussed further to determine where they fit into the risk categories identified in the State Leadership Accountability Act Risk Catalog, revised August 2017.

Risk Ranking

To rank the identified risks, the Chancellor's Office documented the results of the risk assessment meetings and identified the areas that had the highest impact on the Chancellor's Office operations. Ranking criteria included the likelihood and magnitude of the risk and consideration of the control activities in place. 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 CCC *Vision for Success*.

RISKS AND CONTROLS

Risk: Operations –Internal – Fi\$Cal Implementation, Maintenance, or Functionality^o

The conversion to FI\$CAL is causing prolonged disruption and delays for the procurement and accounting processes. The delays affect grant and contract payments to the community college districts which affects the ability of districts to provide services to students. The disruption also affects the payments for contracted services within the agency operations. With the implementation of FI\$CAL, internal operations staff are attending training classes to learn the new system which results in a standstill in the processing of daily workload.

As the legacy system is being replaced by FI\$CAL, the Chancellor's Office is required to implement the new system at the start of the 2017-18 fiscal year. The tendency of delayed business processes are inherent when major conversions occur such as FI\$CAL.

This conversion is causing major delays in processing grant and contract payments to the community colleges, travel reimbursements to employees, and payments to contractors. With the implementation of FI\$CAL, the Chancellor's Office is reliant on FI\$CAL staff for technical support. Many of the Chancellor's Office hurdles are new to FI\$CAL and require additional research before a viable solution is provided.

CONTROL A

To mitigate the risk, the Chancellor's Office has the following control activities in place or planned:

- Continue to work closely with DOF, FI\$CAL, and the State Controller's Office to obtain needed technical support.
 - Utilize stand-alone accounting and budget information spreadsheets and Access databases as a backup for tracking/monitoring accounting transactions.
 - Communicate information regularly to the field to alert the colleges of delayed payments and estimated delivery of payments.
 - Communicate through website guidance the specific invoice requirements for FI\$CAL.
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- Collaborate with the Community Colleges Foundation to develop a FI\$Cal Invoicing training video on the Professional Learning Network (PLN) website.
 - Develop updated policies and desk procedures to reflect the new requirements for FI\$Cal.

Risk: Operations – Internal-Staff – Key Person Dependence, Workforce Planning

The Chancellor’s Office is staffed with approximately 148 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 administration of grants and contracts. The CCC *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 will require professional development and staffing resources aligned to this new role and responsibility.

A primary challenge to retaining staff and institutional knowledge at the Chancellor's Office is the attraction of higher pay scales offered at the community college district level. In addition, many key personnel are nearing retirement. It is also difficult for the Chancellor's Office to recruit qualified applicants for vacant positions. The minimum requirements for many positions at the Chancellor's Office require prior experience in higher education, which narrows the pool of potential applicants.

The loss of key personnel could result in the loss of technical expertise, loss of institutional knowledge, and delayed processing or reporting which could adversely affect funding for CCC programs. The specialized and complex nature of CCC operations results in a steep learning curve for new staff and could contribute to delays or 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.

CONTROL A

To mitigate the risk, the Chancellor's Office has the following control activities in place or planned:

- Provide cross-training for sensitive and complex tasks.
- Document processes so that succeeding staff may successfully perform the duties.
- Propose modifications to minimum requirements for positions in order to expand the pool of applicants.
- Develop a comprehensive technical assistance program supported by the Institutional Effectiveness Division. Technical assistance is planned for a majority of the divisions.

RISK: OPERATIONS – EXTERNAL FUNDING – SOURCES, LEVELS

The Chancellor's Office oversees the allocation of over \$8 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 \$14.2 million that supports 148 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 CCC *Vision for Success*, which in turn will contribute to preparing California's population for the changing environment of the workforce. To achieve these goals, there must be sufficient resources available to the Chancellor's Office. Implementation of the goals in the CCC *Vision for Success* cannot be done effectively given existing resources.

New initiatives, programs, and legislative requirements have associated workload and implementation costs. As the Chancellor's Office's responsibilities have increased, operational staffing and funding levels have remained relatively flat.

Without additional operational funding for additional staff, the Chancellor's Office cannot effectively implement the goals outlined the *CCC Vision for Success*, and may not be able to adequately support the CCC system and its numerous programs, initiatives, and legislative requirements.

CONTROL A

The Chancellor's Office is seeking approval from the administration to augment the Chancellor's Office state operations budget and to support vital positions throughout the agency.

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 controls to prevent those risks from happening. 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