FCMAT
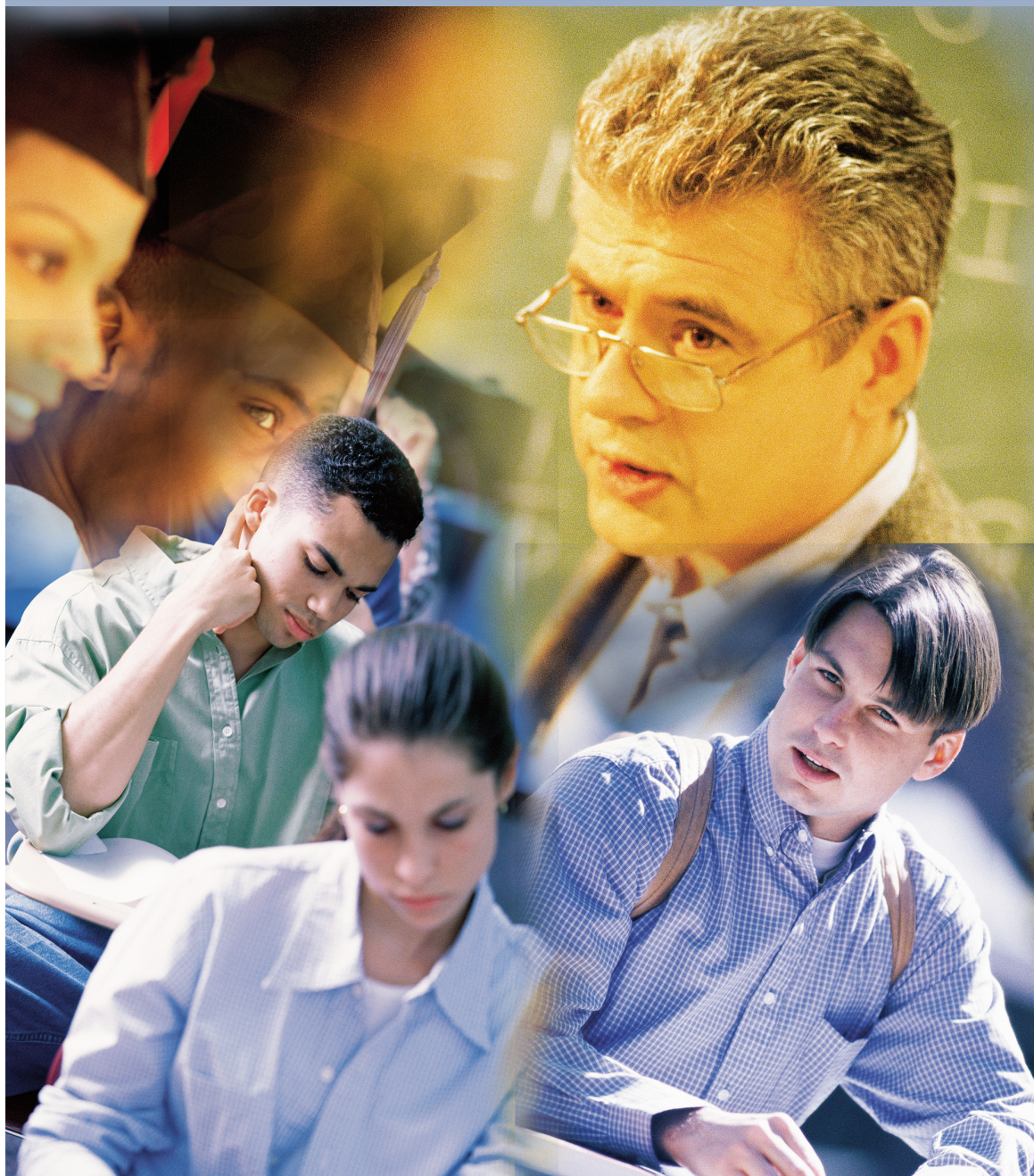
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

CSIS California School Information Services

California Community Colleges Chancellor's Office
City College of San Francisco

Organization and Staffing Review - Finance and Administration

July 26, 2013

Joel D. Montero
Chief Executive Officer

July 26, 2013

Erik Skinner
Deputy Chancellor
California Community Colleges Chancellor's Office
1102 Q Street, Suite 4554
Sacramento, CA 95811

Dear Deputy Chancellor Skinner:

In March 2013, the California Community Colleges Chancellor's Office (CCCCO) and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for an organization and staffing review of the finance and administrative office of the San Francisco Community College District (commonly known as City College of San Francisco) on behalf of the CCCCO. Specifically, the agreement stated that FCMAT would perform the following:

1. The California Community College Chancellor's Office is requesting that the team conduct an organizational and staffing review on behalf of the City College of San Francisco that will be limited to the district's finance and administrative office. The review will include classified and management employees who perform business-related functions including but not limited to budget, accounting, payroll, accounts payable, procurement, bursar's office, capital outlay, financial aid, information technology, maintenance, grounds, facilities planning and construction. The scope of work excludes any review of the police and public safety areas.

2. The team will provide comparative staffing data from three community college districts of similar size and structure for key finance and administration service positions, as well as provide recommendations to improve efficiency and possibly reduce costs. This comparison will include at least three comparable community college districts. The three shall be mutually agreed upon by the district chancellor, the chancellor's office and the team.

3. The team will review job descriptions for key department positions, interview staff and make recommendations for staffing improvements or reductions, if any. All recommendations will include estimated and calculated savings and/or additional costs for any proposed position reductions or increases.

FCMAT
Joel D. Montero, Chief Executive Officer
1300 17th Street - City Centre, Bakersfield, CA 93301-4533 • Telephone 661-636-4611 • Fax 661-636-4647
422 Petaluma Blvd North, Suite. C, Petaluma, CA 94952 • Telephone: 707-775-2850 • Fax: 707-775-2854 • www.fcmat.org
Administrative Agent: Christine L. Frazier - Office of Kern County Superintendent of Schools

4. The team will evaluate the current work flow and distribution of functions between the business and administrative functions, and provide recommendations for improved efficiency, if any. This component will include reviewing documents, including policies and procedures, and gathering data regarding current practices, procedures and separation of duties. The team will review the department's methodology for fiscal planning to develop and monitor the district's budget. The team may also interview other staff to determine the efficiency and effectiveness of services delivered.

5. The college is requesting that the team conduct a review of internal controls, which are the methods used to help ensure that the college achieves its objectives and which comprise the foundation of sound financial management to help protect the district from material weaknesses, serious errors and potential fraud.

   The primary focus of this component of the review is to provide the college with reasonable assurances, based on the testing performed, that adequate management and internal controls are in place for reporting and monitoring financial transactions, and that fraud, misappropriation of funds or other illegal activities have not occurred. Internal controls include the processes for planning, organizing, directing and controlling program operations, including systems for measuring, reporting and monitoring performance. The receipt of cash and/or cash transactions, payroll, purchasing, and accounts payable are high-risk areas in which potential fraud issues such as nonexistent employees or vendors, or misappropriation of assets including cash, may be detected. Specific review objectives include evaluation of policies, procedures, internal controls and transactions performed by the college.

   The team will sample test data from the current and one prior fiscal year to determine if fraud, misappropriation of funds or other illegal activities may have occurred. Testing for this review will be based on sample selections; it will not include all transactions and records for this period. Sample testing and review results are intended to provide reasonable but not absolute assurance regarding the accuracy of the college's transactions and financial activity to accomplish the following:

   • Prevent internal controls from being overridden by management.

   • Ensure ongoing state and federal compliance.

   • Provide assurance to management that the internal control system is sound.

   • Help identify and correct inefficient processes.

   • Ensure that employees are aware of the proper internal control expectations.

   Although deficiencies in many areas may compromise the effectiveness of the college's internal control structure, deficiencies in the following areas are the most common:

   • **Segregation of duties**

     Separating responsibility for physical custody of an asset from the related recordkeeping is a critical control.

- **Access to assets**

  Internal controls should provide safeguards for physical objects, restricted information, critical forms, and updates to applications.

- **Knowledge of policies**

  The college is not a static environment, and new policies and revisions are a constant. College policies and procedures are available electronically. Administrators must stay abreast of policy changes and understand their responsibilities.

- **Fiscal conduct**

  If any employee knows or suspects that other college employees are engaged in theft, fraud, embezzlement, fiscal misconduct or violation of college financial policies, it is their responsibility to immediately notify the college president or the president's authorized designee.

- **Control overrides**

  Exceptions to established policies are sometimes necessary to accomplish specific tasks but can pose a significant risk if not effectively monitored and limited.

The team will evaluate the college's internal control structure, policies and procedures to test transactions and reporting processes, and will provide recommendations for improvements if needed.

a. Evaluation of the existing internal control structure:

   i. Determine if adequate procedures are in place to safeguard assets

   ii. Evaluate the integrity of information used for internal management decisions and external agency reports.

   iii. Determine if authorization procedures are appropriate and consistently followed. Review administrator and manager approvals and whether signature authority is delegated only to authorized employees.

   iv. Determine whether proper segregation of duties exists. The team will evaluate personnel, payroll, accounts payable and cash transactions, and will do the following:

   - Review the authorization process for assessing class fees

   - Determine if protective measures are in place for safeguarding college assets, finance databases, and records including payroll data.

   - Determine whether safe combinations are changed periodically and any time a staff member who knows the combination terminates employment.

b. Evaluation of Policies and Procedures:

   i. Review compliance with college policies and procedures, including but not limited to those regarding finance and purchasing.

ii. Review document and records retention procedures to determine whether the college provides reasonable assurance that asset records are safeguarded and transactions are correctly recorded.

c. Evaluation of Reporting Processes:

i. Based on sampling techniques, evaluate monitoring and verify that controls are operating properly.

ii. Evaluate controls that prevent management from overriding internal controls and thus possibly misappropriating funds. Determine if the organizational charts show lines of authority.

iii. Evaluate whether clearly established lines of authority and responsibility exist within and between departments for proper review and reporting.

This final report contains the study team's findings and recommendations in the above areas of review. We appreciate the opportunity to serve the California Community Colleges Chancellor's Office and the City College of San Francisco, and extend our thanks to all the staff for their assistance during fieldwork.

Sincerely,

Joel D. Montero
Chief Executive Officer

Table of contents

About FCMAT

FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices and efficient operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and share information.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state Superintendent of Public Instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the local education agency to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

Studies by Fiscal Year
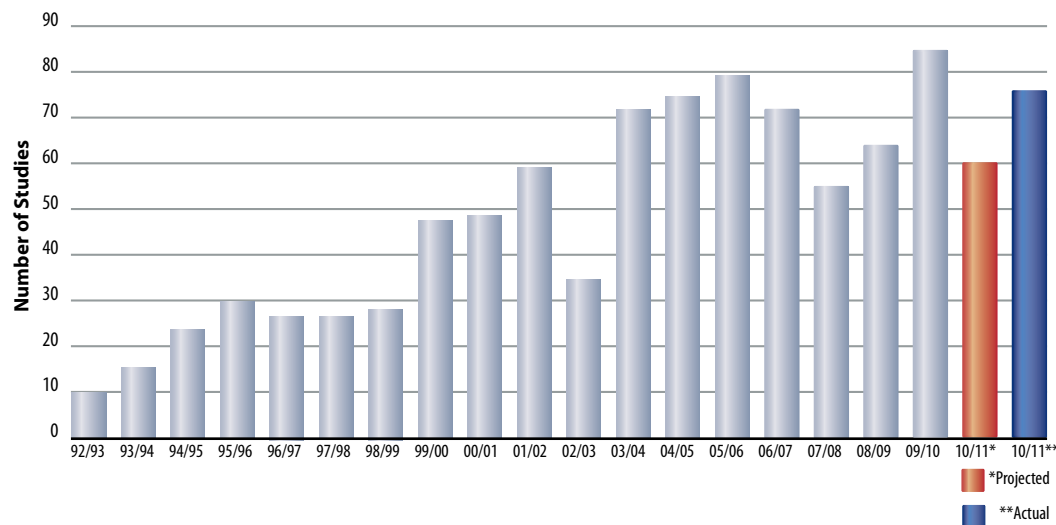
FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help local educational agencies operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) arm of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS) and also maintains DataGate, the FCMAT/CSIS software LEAs use for CSIS services. FCMAT was created by Assembly Bill 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. Assembly Bill 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. Assembly Bill 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county office of education and school districts to work together locally to improve fiscal procedures and accountability standards. Assembly Bill 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, SB 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

Since 1992, FCMAT has been engaged to perform nearly 850 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

In March 2013 the California Community Colleges Chancellor's Office, on behalf of San Francisco Community College District, requested FCMAT to conduct an organizational and staffing review limited to the district's finance and administrative office. The San Francisco Community College District, also referred to as City College of San Francisco, serves approximately 85,000 students at nine campuses and many other sites throughout the city of San Francisco.

FCMAT's review of City College of San Francisco (CCSF) was not an audit nor was it associated with the ongoing issues with the Accrediting Commission for Community and Junior Colleges (ACCJC). Rather, the purpose was to conduct an organizational and staffing review solely of the district's finance and administrative office.

In March 2012, the ACCJC visited CCSF and officially delivered an order of Show Cause, the most severe sanction of the ACCJC short of terminating an institution's accreditation. At the time of this report, a final decision was being made regarding whether or not to terminate accreditation. Results of that report, and any other accreditation decisions, are separate and distinct from the review performed by FCMAT.

Since FCMAT was last in the district in September 2012, CCSF requested that a special trustee be appointed to assist the district with its ongoing fiscal issues. An interim chancellor is also in place, although actions are under way to appoint a permanent chancellor.

This engagement differs from the work done by FCMAT in 2012. At that time, the focus was on the fiscal health of the district overall and included a review of specific parts of districtwide administrative functions, whereas now the emphasis is on operational functions and performance of one major unit.

FCMAT spent numerous days offsite completing additional analysis as well as 20 days on site during this review. FCMAT conducted interviews with employees both in and out of the finance and administrative services unit, reviewed documents, policies and procedures, and completed forensic-based accounting on some high profile areas where there is a greater opportunity for fraud including cash handling, payroll and vendor payments, as well as paid leave and benefits. FCMAT also identified key positions for review within the various areas of finance and administrative services and evaluated the completeness of those job descriptions. Three peer community college districts were identified and then surveyed in terms of staffing for the different departments within finance and administrative services. The survey also asked about specific operational practices so FCMAT could compare the responses to CCSF.

FCMAT observed that some of the issues in the district had similar origins as those identified in the prior FCMAT report dated September 2012, such as decisions were often made based on maintaining peace and the status quo versus merit. There remains a reluctance to address outstanding issues that may be challenging in the district, including those in the finance and administrative services unit, because doing so might upset stakeholders and not be acceptable within the CCSF culture. This reluctance stops improvements and continues to foster a status quo operation. Further, due to the reductions in state and local funding and the loss of staff in various operational units, departments have been unwilling to agree to make any operational changes that would add to workload, even if the change is in the best interests of the district. This culture and resistance to improvement has placed different district units at odds with one another, created internal tension and added to the inaction in the organization.

Study Guidelines

In March 2013 the California Community Colleges Chancellor's Office, on behalf of San Francisco Community College District, requested FCMAT to conduct an organizational and staffing review limited to the district's finance and administrative office. FCMAT conducted a staffing survey, reviewed job descriptions, examined workflow and distribution of duties, and reviewed internal controls to provide reasonable assurances, based on the testing performed, that adequate management and internal controls are in place for reporting and monitoring financial transactions, and that fraud, misappropriation of funds or other illegal activities have not occurred.

FCMAT visited the district to conduct interviews, collect data and review documents. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Operational Units
- Interdepartmental Relations
- Department-Level Review
- Business-Related Departments
- Information Technology
- Internal Controls

Study Team

The study team was composed of the following members:

Michelle Plumbtree
FCMAT Chief Management Analyst
Petaluma, California

CM Brahmbhatt
FCMAT Consultant
Irvine, California

Michael Hill
FCMAT Consultant
San Jose, California

Fred Sherman
FCMAT Consultant
Chico, California

Michael W. Ammermon, CPA, CFE
FCMAT Consultant
Laguna Niguel, California

Laura Haywood
FCMAT Technical Writer
Bakersfield, California

Executive Summary

FCMAT's focus was to conduct an organizational and staffing review of the City College of San Francisco's finance and administrative services unit. This included classified and management employees performing business-related functions in budget, accounting, payroll, accounts payable, procurement, bursar's office, capital outlay, financial aid, information technology, maintenance, grounds, facilities planning and construction. FCMAT conducted numerous interviews with employees both internal and external of the finance and administrative services unit; reviewed documents, policies and procedures; completed forensic accounting on some high profile activities where there is greater opportunity for fraud such as cash handling, payroll and vendor payments, paid leave and benefits; identified key positions to further review in the department and evaluated those positions' job descriptions as to their completeness. With district input, three peer community college districts were selected and their staffing surveyed for the different departments in finance and administrative services. FCMAT also inquired in the survey about certain operational practices and then compared the responses to CCSF. The three districts surveyed were Mt. San Antonio, Foothill/DeAnza and Santa Monica.

In the absence of staff, the district has utilized the services of independent third party service providers or consultants to assist in managing some finance and administrative functions. FCMAT met with these individuals to gain another perspective on the status of district operations.

General Observations

The scope of the FCMAT review identified specific areas of the district's operations needing change. This report contains a series of recommendations for improvement. It is FCMAT's assessment that absent strong and consistent leadership, progress will be extremely difficult to achieve. Some of FCMAT's recommendations are not new concepts to the district, yet they have not been implemented to date. The reasons for non-implementation have much to do with internal struggles and a general unwillingness to make hard decisions and see change occur.

Critical issues are observed throughout the finance and administrative services unit: a lack of cooperation among cabinet-level leadership, deficit spending, the chancellor's apparent lack of support for the business office, insufficient funds for maintenance, uneven reduction of staff throughout the business office, and extremely low morale. FCMAT's assessment is that these issues are due in part to a strong culture of a chancellor-centered decision-making process that excludes key cabinet level input with a significant influence of local politics.

The district over the last few years has reduced its classified and management workforce in response to lower levels of revenue from the state. The scope of this review required FCMAT to assess the finance and administrative unit in terms of efficiencies and potential savings. Based on fieldwork and analysis, reducing staff to save money is not feasible. A number of changes identified in the report will result in efficiencies and better utilization of staff, even if staff reductions are not recommended throughout the finance and administrative services unit.

Several key leadership positions have not been filled; therefore, the vice chancellor of finance spends time on day-to-day routine activities that prevent him from focusing on major strategic issues.

Recent efforts to fill key positions in finance and administrative services such as the controller, grants accounting manager and financial aid lead accountant have not yielded viable candidates.

It is very important to the success of the finance and administrative services unit to have quali-fied, competent staff. Identifying and correcting the reasons for this inability to hire should be a high priority for the district. A middle level or direct line of staffing for supervision is lacking between the senior administrative staff and the fiscal office clerical staff, which contributes to the problems cited in this report.

A two tiered salary structure for classified staff was negotiated with the union as a way to reduce costs and save positions. District employees are hired through the county/city of San Francisco and have status as county/city employees. New hires are on a pay scale approximately 12% less than existing classified positions and others in the city/county departments. This system was instituted within the last several years. Because of the unique civil service structure in CCSF that defines how district staffing works, this two-tier arrangement has caused unanticipated problems. Candidates given the option of seeking positions with CCSF or the city of San Francisco opt for the city because of the higher pay scale. Employees hired on the lower pay scale often transfer to the city to receive the higher pay scale for similar type jobs. This situation has made hiring and retaining quality staff very difficult, and does not help attract qualified candidates. The district and the classified union are in discussions regarding this issue and may soon have a resolution. In the meantime it is a significant barrier to addressing pressing staffing needs in the finance and administrative services unit, as well as throughout the district.

Senior management in the finance and administrative services unit is experienced and knowl-edgeable but has not been assertive or provided strong leadership in leading the unit and influencing the district's administrative operations. In the course of FCMAT's interviews some conditions noted in this report were attributed to a lack of enforcement of established procedures or hesitancy in decision-making in the finance and administrative services unit and other units of administration.

Facilities and Planning; Maintenance, Buildings and Grounds

There is a lack of senior level management, along with inadequate funding that prevents day-to-day service of all buildings and processing of work orders. Staffing levels are inadequate to plan for projects including but not limited to all college buildings and facilities construction, equipment, landscaping, major reconstruction and repair projects, and other significant uses of budgeted capital project funds including the stewardship of all contractual documents, plans, building permits, etc. For example, only one staff member is assigned to facilities and planning for 1.9 million square feet of building space, which seriously impedes planning.

To address these issues, FCMAT recommends multiple measures for the long-term success of the institution. One is to devote a significant amount of time to team building between key leader-ship positions, led by the Chancellor. The district must also prepare an updated Educational Master Plan (EMP) and Facilities Master Plan (FMP). The district office should be relocated onto the main college campus to be closer to needed services. In the facilities area, FCMAT recommends that the district suspend any new capital projects until a plan is developed to mitigate poor facilities conditions and support is provided through appropriate staffing levels. For maintenance, buildings and grounds, FCMAT recommends initiating a management team with a reasonable budget that allows the department to conduct day-to-day operations. More efficient processes need to be implemented, such as a computerized work order system and standards for major equipment acquisitions.

Information Technology and Accessibility of Information

FCMAT's review of information technology (IT) support and the accessibility of information at CCSF revealed two areas that need to be immediately addressed: (1) strengthening the security controls over access to data stored in Banner[1] and (2) the hiring of a new chief technology officer (CTO).

The district has insufficient security access controls in the Banner system to manage employees' access to sensitive data. Employee access rights are not re-evaluated when an employee changes positions and security audits are not routinely performed, so there is a real possibility that the district has many employees (and perhaps ex-employees) who have access rights to sensitive data that they should not have.

The district has not had a permanent CTO for two years. Once hired, the CTO will need to address low morale in the Information Technology Services (ITS) department, as well as the general feeling among district employees that the ITS department does not do all that it could or should to support them. Major changes are needed in the way the ITS department interacts with other departments to improve practices and restore confidence.

Several other areas were identified that could improve the efficiency and effectiveness of the ITS department operations and service delivery. These include:

Other departmental managers indicated a lack of access to reports and cite this as an impediment to fulfilling their job responsibilities. Although the district is pursuing a solution, the rollout of the new report writer (ARGOS) and associated training is only partially complete as measured by the expressed incompleteness of data block[2] development and user training.

- The district's IT resources are decentralized; many departments have their own IT personnel. While distributing IT assets and staff among departments can facilitate local flexibility, it also distributes assets unevenly and makes the management of key administrative IT systems difficult and inefficient.

- The level of Banner customization at CCSF prevents the district from easily accepting and integrating updates and modifications that are released by the vendor. Heavily customized systems require more effort and resources to maintain and prevent the district from taking advantage of new functionality.

- The district has duplicate email systems that consume resources and impede communication.

- The assignment and organization of employees in the ITS department is inconsistent. One ITS manager reports to multiple lines of authority; another manager who has responsibility over an ITS function reports to the library division, and many staff members perform job duties at different levels than described in their job classifications.

- While users submit requests for IT projects and services, most do not think the ITS department is responsive. The district does not have a process for prioritizing IT projects beyond the Program Review process that addresses only a few of the high priority needs. Poor communication exists between the ITS department and the operational and academic departments it supports.

---

1   Banner is an Enterprise Resource Planning (ERP) system adopted by and currently in use by CCSF. An ERP system is a computerized information system that automates the processing of business operations at a college. Most ERP systems contain modules covering budgeting, payroll, enrollment, financial aid, student records, personnel records as well as other business functions of the college.

2   Data blocks are fundamental and necessary elements of ARGOS, which act to describe the location and type of data that the user will use in creating reports. Data blocks are usually built by programmers but can be built by trained users who have good technical skills.

In preparing this report, FCMAT also reviewed an assessment from the Strata Information Group dated January 2013, which offered many recommendations with regard to the technical architecture of and organizational support for Banner. Although FCMAT did not evaluate that report, nor is it part of this study, the importance of the recommendations that are included should not be overlooked.

As operational changes are made in the IT organizational structure and service delivery processes, it is very important for the administration at all managerial levels to fully support the changes, projects, and new processes to ensure that efficiency and effectiveness gains are institutionalized in the future.

Internal Controls

FCMAT's review of CCSF's finance and administrative services internal control system revealed several internal control deficiencies that must be addressed, including:

- The internal auditor position has been eliminated. The internal auditor serves an important role in maintaining an efficient internal control environment. The position should be re-established.

- Unauthorized wage rate changes may be performed by users of the NBA Jobs payroll system in Banner. The computer payroll screen in NBA Jobs is accessible by approximately 125 employees. Access to NBA Jobs and the ability to change payroll range and step information should be restricted to a limited number of employees in the human resources department.

- Staff payroll overpayments are not followed up in a timely manner, with at least a five-month backlog of staff overpayment collections. Staffing cutbacks have added duties to the remaining staff, and the ability to maintain accurate and timely work production has suffered. Additional staff should be hired and procedures established for meeting time lines, including collection of overpayments.

- Employee benefits, such as health benefits and vacation paid time off, may be overstated or inflated. Staff receiving benefits have not been verified or reconfirmed. FCMAT's sampling of vacation time found underreporting of paid time off. Additional staff is needed to perform benefits review, and management needs additional staffing and resources to perform sufficient oversight and review.

- The payroll and human resources departments lack dedicated staffing for position control, which has resulted in each department questioning who should perform specific position control functions. Understaffing in the finance and administrative services units has resulted in several internal control deficiencies.

- Reduced staffing in the finance and administrative services units has resulted in staff assignments not being clearly defined. Staffing reductions in key business areas have led to internal control weakness that prevents segregation of duties and diminishes the financial integrity of the overall business functions.

- The internal control system is interconnected. Because the district has suffered losses of finance and administrative services staff, much institutional knowledge cannot be passed on to new staff. In addition, staff mentoring, cross training, and succession planning has been weakened and in some cases is nonexistent.

- Fewer staff results in work overloads, the potential for increased errors, reduced ability to follow up with managers and subordinates, insufficient segregation of duties, and staff becoming frustrated and resigning. All of these issues are evident at CCSF.

During FCMAT's review of internal controls, although several control deficiencies were found in the finance and administrative services unit that will be outlined later in the report and are cause for concern, no evidence of fraud, misappropriation of funds or other illegal activities were found based on FCMAT's testing of transactions. However, if these internal control deficiencies are not corrected in a timely manner, the district bears the risk that they may occur in the future.

Findings and Recommendations

Operational Departments

FCMAT found issues that affected more than one operational department in finance and administrative services. Rather than repeating issues in several places throughout the report, FCMAT identified items in the department most impacted. Further, because several consultants reviewed the operations from different viewpoints, there is some redundancy in the observations and recommendations.

Job Descriptions

FCMAT was asked to review job descriptions for key department positions in finance and administrative services, interview selected staff and make recommendations for staffing improvements or reductions, if any. FCMAT was asked to identify which descriptions would be considered key.

Seventeen key positions were identified. If a key position had an incumbent, FCMAT asked that he or she review the current job description as to whether it captured the major responsibilities, whether any major tasks were missing, and whether there was any significant task in the job description that they did not perform. If the position had no incumbent, FCMAT asked the responsible manager for that position to provide input.

In the aggregate, major discrepancies were not identified. Where a difference was noted, FCMAT followed up to determine if it was related to staff shortages and if that circumstance would change once staffing levels improve. Although staffing additions would solve some differences, it is not the universal solution. Staff and the district recognize that staffing will not return to pre-2008 levels even if funding increases. In the ITS department more substantial differences were noted due to a restructuring of the department by an ITS director who is no longer with the district. These changes will need to be evaluated by a new director before job descriptions are formally modified.

Recommendations

The district should:

1. Rewrite job descriptions to better reflect the requirements of each position once staffing patterns stabilize and the district balances workloads.

2. Incorporate efficiencies in process and technologies when job descriptions are rewritten to better reflect the requirements of each position.

3. Set expectations for performance of job responsibilities once the descriptions are rewritten.

Peer District Comparisons

Surveys were sent to three community college districts of similar size and structure regarding staffing levels, operations and internal controls for the departments in the finance and adminis-

trative services unit, so that recommendations could be made to improve efficiency and possibly reduce costs. Additional details were sought regarding information technology.

The results are highlighted in the departmental analysis that follows.

The peer district comparison indicated that CCSF has more payroll staff than the other districts. This could be partly because CCSF produces its own payroll, has 26 pay periods versus 12, and has many special or extra pay categories. Given the number of issues to be addressed and the impact payroll has on district employees, FCMAT is not recommending reduced staffing. In fact, more staff should be hired in some areas of the operation.

For a number of the departments in the finance and administrative services unit, the peer district comparison indicated a similar staffing size for CCSF and the comparison districts such as purchasing and ITS.

The peer district comparison suggests that the CCSF bursar's office has slightly more staff; however, it is not clear that the other districts have the same scope of responsibilities.

The peer district comparison suggests that CCSF's accounting staff ranks in the middle of the group.

Only two of the three peer districts responded. The table below indicates the aggregated results for each department (managers, supervisors and staff) in total. To provide a better context, the staffing totals were also measured against each district's FTES (full time equivalent students).

FCMAT Review CCSF, June 2013 Departmental Staffing Comparison With Peer Districts			
	CCSF	Santa Monica	Mt. SAC
FTES	32,622	21,359	28,702
Department			
Procurement	4	4	5
Payroll	16	7	6
Accounting	16	20	9
Budget	1	2	12
Bursar	7.5	6	4
Bus Fin Aid	4	0	0
Duplicating/Mail	8	0	0
Grounds	11	14	22
Custodial	91	51	54
Maintenance	28	19	16
Facilities	2	2	8
Information Tech	61.5	38	7
FTES Per FTE Staff	CCSF	Santa Monica	Mt. SAC
Higher Ratio = More Efficient			
Department			

FCMAT Review CCSF, June 2013 Departmental Staffing Comparison With Peer Districts			
Procurement	8,156	5,340	5,740
Payroll	2,039	3,051	4,784
Accounting	2,039	1,068	3,189
Budget	32,622	10,680	2,392
Bursar	4,350	3,560	7,176
Bus Fin Aid	8,156		
Duplicating/Mail	4,078		
Grounds	2,966	1,526	1,290
Custodial	358	419	533
Maintenance	1,165	1,124	1,799
Facilities	16,311	10,680	3,610
Information Tech	530	562	4,100

Civil Service Rules

A unique relationship exists between the city/county of San Francisco and the district regarding the civil service status of its classified employees. This relationship is not likely to change soon, so it must continue to be recognized that certain operational implications make the effective use of staff resources more difficult. District employees have bumping rights to similar job classifications in city operations, and city employees likewise have bumping rights to positions in the district. If an employee from one department loses his/her position but has seniority over an employee in the same classification, the more senior employee can take the position of the less senior employee. If there is no one else to bump, the less senior employee would be laid off. Certainly the bumping in of employees from other city/county departments to the district can disrupt the development of departmental staff and the cohesion of the department. Further, the rules limit flexibility in assignments, which can make it more difficult to restructure a department to respond to changing workplace needs.

Recommendations

The district should:

1. Seek to clarify at the broadest level how much flexibility it has in terms of accepting employees from other city/county agencies.

2. Establish the latitude it has regarding job assignment changes and how best to approach reclassification or reorganization if warranted.

3. Instruct managers on what they can and cannot do with employee changes within the civil service structure, because managers do not seem to understand these parameters.

4. Document the rules, parameters and allowable decisions of the civil service structure so that managers understand them rather than citing the structure as the reason for staffing-related difficulties.

Interdepartmental Relations

Various departmental staff conveyed that there are tensions between departments. When problems, issues or errors arise, blame tends to be directed at one another rather than working together to fix the problem and stop it from recurring.

Part of the tension is rooted in the loss of personnel over the last several years, making work more difficult for all units. The natural and normal response to this type of situation is to be concerned about the effects on the quality and timeliness of the work performed. This by itself can create workplace tension. However, when the tension is escalated because departments see themselves as having too much work and not enough recognition, or view other departments as not doing their job, the tension level rises. Because of these feelings, instead of finding ways to help each other through a difficult situation, employees tend to protect themselves and their department, and put up barriers. These barriers become harder to break down as time goes on and the pattern of isolation is reinforced as subsequent events have the same outcome. This circumstance applies to a number of departments in the finance and administrative services unit, but seems to have particular application to the human resources (HR)-business-payroll interactions.

This circumstance was very evident in the relationship of HR and the business office, including payroll. These two units are important to each other and the smooth functioning of the district. Providing services and meeting mandates is difficult even without internal friction. If the issues identified in this report are addressed, it may help both units find common ground upon which they can work to restore a stronger working relationship.

FCMAT explored the option of having payroll report to HR, or HR report to finance and administrative services. Neither option on its own would fix the problems. The existing structure can work if the recommendations contained in this report are addressed.

Recommendations

The district should:

1. Clarify the roles and responsibilities of the departments and their interaction with one another.

2. Establish the key links between payroll and HR at the first level of management. Assign these two positions to develop a means by which issues arising between the two departments are dealt with quickly.

3. Reinforce that payroll and HR should work as a team.

4. Instruct all first line managers, regardless of the department but especially in payroll and HR, to work together to resolve issues affecting more than one department, present a united response, and establish required response time lines such as five business days for a tentative working response.

5. Allow first line managers, regardless of the department but especially in payroll and HR, to job shadow in the other department to educate them to issues and better understand the support needed from their own department.

Department-Level Review

Payroll

Recent events affecting employee pay have increased attention on the payroll function. Two incidents earlier this calendar year affected many employees. One was the failure to authorize the issuance of classified pay through Wells Fargo, which delayed pay for all classified regular staff by up to two days. The second was the retroactive monthly payroll deduction for faculty, which occurred the first month but not the second, causing confusion and requiring additional corrections for subsequent months. These two events will be further discussed in this report.

FCMAT's review of the payroll department was difficult because the payroll manager was on administrative leave during the visit, ultimately filed for retirement and was unavailable to the team. This position possesses essential department knowledge. The lack of access to this staff member meant missing vital input and information. Another impediment to obtaining information was that a number of long-term payroll staff had retired, taking with them a great deal of experience and history.

Classified staff have 26 pay periods in a year. Faculty used to have the same pay structure, but the district converted to 12 pay periods per year in January 2013 due to California State Teachers' Retirement System (STRS) concerns regarding recognition of the proper service credit. Many, if not most districts utilize a 12 pay period annual cycle for all staff; the 26 pay period cycle is less common. FCMAT asked payroll staff whether a 12 period pay cycle would create more errors or would adversely affect workload. Staff indicated no such concerns. In fact, some staff felt it would be better to have classified and academic employees on the same cycle, whether it was 12 or 26 pay periods.

FCMAT reviewed with human resources (HR), payroll and the Office of Instruction the number of extra pay, overload and paid leave types for which employees qualify. There are many possible pay types, which could lead to increased errors in applying the correct pay rate for unique or secondary assignments. Staff in all three units indicated that managing this was not a problem and did not cause significant pay errors.

Most employees are paid regularly, without incident. However, because one's pay is a very important personal matter, even a small number of problems warrants attention.

The areas of concern in payroll include:

- Internal controls
- Lack of training and understanding of procedures and system function
- Little recourse for noncompliance regarding payroll deadlines
- No follow up on employee repayments owed to the district
- Turnover and loss of institutional memory
- Weak department leadership
- Poor interdepartmental relations

Internal Controls

The late classified payroll occurred because the payroll manager disabled an internal control in the system. Senior management was not aware of this change. The previous control measure assigned an employee to receive and acknowledge through system messages that the bank had accepted the payroll authorization and that the payroll was being processed. The payroll manager discontinued this practice. In discussing this issue with management it was stated that in 15 years, with 26 payrolls a year, this was the first time a late payroll had occurred. Nevertheless, once it did occur, action was quickly taken by administration to reinstate and strengthen the control measure in that the notice by the bank is received by more than one employee and several staff make the confirmation.

FCMAT was informed that some payroll process changes were implemented in Banner without the proper testing, leading to unnecessary errors. At times the payroll department was not aware of the change being made. At a minimum this led to confusion and at worst led to errors in payroll.

When employees move into certain job positions they are given access to certain Banner processes. Some positions need more access than others. However, as employees change jobs in the district, their prior access is not removed even if it is no longer relevant. Rather, access is added to what they previously had. During FCMAT's testing it was found that approximately 125 people have access to a maintenance function with Banner called NBA Jobs, which allows access to set or change pay ranges, step values, position class or title, and salary tables. This access should be limited to staff in HR.

Although position control is in place and supported in theory, there is lack of agreement on who is responsible for the different parts of the process. HR, budget, finance, payroll and Instructional Services all report it does not function properly. Staff noted that position control numbers have in some cases been linked to an employee instead of a position, that they are late in being assigned, and on occasion the same number has been assigned to two different positions. There are also elements of the position control process, such as location or account number assignment, that need to be considered and managed in the same way as the primary function of position number assignment. The location of a position and, the account to which it is charged can change over time, and this information needs to be kept current.

The district has purchased system tools to replace certain home-grown work-around solutions that only one or two staff members understand. These system tools are supported by the vendor, offer broader use, and are integrated with other Banner modules, offering functionality that would benefit the entire district. Faculty Load and Compensation (FLAC) is one such tool. The district has evaluated the product, understands the value, is aware of the district's exposure regarding the home-grown application becoming obsolete, and yet has chosen not to implement this tool because of internal departmental tensions.

Internal controls related to the payroll function will be covered in another section of the report.

Recommendations

The district should:

1. Develop a checklist of payroll controls and an annual form to be signed for all employees with a role in the internal control process certifying an understanding of the controls and agreement that they will not be changed without proper authorization.

2. Document the sequence of actions and approvals required for each employee type. This documentation can be helpful to new employees who are part of the employment/payment process and may prevent mistakes as they develop a level of expertise.

3. Require that no process change is implemented in the system until the responsible departments have performed adequate testing and verification.

4. Assign position control responsibilities clearly, and document and monitor the process.

5. Ensure that the components of position control are based on what is best for the district rather than on departmental preferences. Refer unresolved differences between units to the chancellor for a determination.

6. Clearly communicate that all involved staff will be held accountable for proper administration of the position control system.

7. Implement the FLAC tool to assist with faculty load management and assign responsibility based on the district's best interests.

8. Ensure that decisions on what systems will be initiated and used in the district are based on what works best for the district rather than on departmental workload.

9. Periodically review who has access to specific system processes and change access where warranted.

Training, Procedures and System Understanding

FCMAT asked repeatedly about training given for individual work assignments and regarding the Banner system. Ongoing training is not provided, and what does occur is inconsistent. One department's training consists of videos explaining processes. Another provides some written templates. One has formal workflow charts explaining each process. Each of these training tools can be helpful, but structured, formal training on the Banner system is lacking, as is training on specific departmental functions. For example, payroll staff did not understand how Banner treated the retroactive pay deductions mentioned earlier and that this resulted in a major problem just a few months ago. This error might not have occurred if staff properly understood the system.

Long-term staffing stability and proper training helps departments function better. Having unstable staffing in payroll is particularly problematic because of the complicated nature of the

process. FCMAT has serious concerns related to department instability, lack of training, lack of documented procedures, and lack of overall system understanding.

A number of processes must be run in Banner to produce the payroll. Currently the payroll staff request an embedded IT employee to run these processes. The term "embedded" is used by the district to describe IT staff who do not report directly to the ITS department and are housed in various operational departments. FCMAT was told that at one time the payroll staff ran the processes themselves, but as staff retired or left the department or district, this work shifted to the IT programmer. This assignment is inefficient and not the best use of job skills. Moving these functions back to the payroll staff would allow more than one staff member to perform the functions rather than relying on the one IT programmer to do so.

Recommendations

The district should:

1. Establish structured Banner training sessions for both new and existing users. Include training on specific department-level activities.

2. Evaluate how later versions of Banner or third party add-ons can improve overall performance and reliability of the system (this will also be discussed later in the report).

3. Document how the payroll system and its procedures work so that staff better understand the system.

4. Designate the responsibility of specific job function training to the payroll manager. Training should be in the form of documentation, orientation, follow up and, where possible, job shadowing.

5. Coordinate training, when appropriate, with other affected departments such as HR and the Office of Instruction to promote a greater sense of team and shared responsibility.

6. Evaluate the payroll manager partly on whether the staff training mandate is fulfilled.

7. Assign the payroll processes to payroll staff.

Payroll Deadlines

Given that the district produces 26 payrolls a year for classified staff and recently (January 2013) switched faculty from 26 to 12 payrolls, the need for special manual payroll checks should be rare since there are so many opportunities to run checks in the normal process. Manual checks are problematic because they take time to prepare, which in turn takes time away from producing and maintaining the regular payroll. Also, manual checks are more susceptible to error and provide greater opportunity for fraud because of the "out of the norm" processing.

In interviews with staff, FCMAT explored the frequency and reasoning for manual payments. The primary reason given for why manual payments continue to occur is the lack of concern

surrounding payroll deadlines. There are no repercussions for violators of the payroll deadline, and thus no reason to try to stop the situation. There are rare but legitimate times when a manual check should be prepared. However, manual checks seem to be a common practice at CCSF.

Recommendations

The district should:

1. Develop a form for manual check payments to document the reasons for the request. Track the reasons and trends for occurrences.

2. Discourage the usage of and reliance on manual checks by discussing with supervisors how to correct situations where there is a greater frequency of use, and/or recommend discipline if consistent abuses are observed.

3. Hold individuals accountable for lack of adherence to payroll deadlines.

Employee Repayments to the District

Employees can be overpaid for a variety of reasons. When this happens the payroll department initiates efforts to collect the overpayment. Approval is required from the affected employee to begin the collection process because it is illegal to decrease an employee's check without their prior approval. In interviews FCMAT was informed that collections for overpayment are lax and there is little follow up by the district to ensure payments are made. In the larger context of the general fund budget the amounts uncollected may be small, but the lack of follow up conveys a message to employees that accuracy and accountability are unimportant. It should be noted that the district has an obligation to make a good faith effort to collect funds paid but not earned. Failing to take reasonable action to collect overpayments could be considered a gift of public funds.

Recommendations

The district should:

1. Monitor collections carefully.

2. Notify employees when repayment is not made within the prescribed time of the next steps, up to and including legal action, if warranted, and be prepared to follow through on them.

Turnover and Loss of Institutional Memory

The loss of long-term staff can create a void in the departmental understanding of processes, procedures and the history behind certain actions. The loss of several longer term employees may amplify this situation, which is what has occurred in the CCSF payroll department. Some documentation of processes and procedures exists, so some of that history will be recovered. However, the learning curve for payroll is short and the tolerance level for errors low. It is difficult to quickly replace the experience and knowledge when staff members leave and there is constant turnover.

Recommendations

The district should:

1. Document the workflow, and maintain and catalog communications to provide new staff with background on operational decisions.

2. Develop and implement a plan for cross training once staffing has been restored to the district's designated level to create redundancy in staff skill sets.

3. Ensure that each position has backups so that in the absence of the assigned employee time-sensitive tasks can be completed by other staff, since payroll functions need to be completed regardless of staff absences and vacancies.

Department Leadership

FCMAT interviews with various staff revealed a consistent theme of ineffective payroll department leadership, even though it was not a unanimous assessment. Issues regarding timely resolution of problems, answers to technical questions, availability to respond to staff questions, clear direction on operational changes and support of payroll department staff by the former associate dean were voiced. Generally, staff felt they were on their own in making important decisions.

Recommendations

The district should:

1. Ensure that first line managers are given clear direction regarding performance expectations, the measurements to be used in evaluating performance, continual feedback, and immediate resolution of issues to correct performance.

2. Recognize that strong leaders, as well as good systems and procedures, are needed to maintain a solid operational foundation.

3. Give staff written direction regarding the line of authority regarding issues if the first line manager is not available or issues are unresolved.

4. Expedite the hiring of the new associate dean of payroll services. Make a concerted effort to attract qualified, competent candidates. This is critical to rebuilding the department.

Purchasing

The purchasing department manager has 16 years of experience with the district. This provides a good perspective on district history with regard to the procurement function. Through attrition, the facilities department has only one employee. This has shifted the burden for developing and awarding construction bids to the purchasing manager, which is a task to which she has responded but with no additional resources to support this effort. Recommendations regarding the facilities department will address this issue more fully later in the report.

FCMAT's review of the purchasing area found a number of issues needing to be addressed. They are:

- Civil service rules limit flexibility in assignments

- Online requisitioning system

- Online receiving

- Overrides of system controls due to budget timing

- No enforcement of end-of-year deadlines

- Informal directives lacking documentation and clear guidelines

Online Requisitioning System

Approximately 10 years ago the district activated the online requisitioning module in the Banner administrative system. Although the module was activated, the district did not require departments to switch from the manual system to the online system. Instead, each department was allowed to choose which method to use. Ten years later, approximately 7% to 10% of departments use the online system, with the remaining 90% to 93% using the old manual paper system. The district had hoped that the early adopters would convince the rest of the departments to switch as well, but that has not occurred.

Having two systems is inefficient because support is required for both the manual process and the automated version. It's also another illustration of inaction, ineffective use of resources and lack of assertive leadership.

The manual process can cause more errors, takes more time, creates unnecessary delays and prevents the immediate feedback regarding budget status that the online requisitioning system provides.

Recommendations

The district should:

1. Mandate that only the online requisitioning system will be used.

2. Implement the mandatory use of the online requisitioning system with enough lead time so that departments can receive adequate training.

3. Set a cut over date that is enforced for transitioning to the online system.

Online Receiving

Online receiving, just as online requisitioning, is supported by the Banner system. The district does not utilize online receiving in any way. Unlike online requisitioning, which has some users, the online receiving system has to be fully implemented or not at all. This online receiving feature has benefits, but will involve some work on the front end to make it operational. Given other operational improvements the district could make that are less difficult to implement but have equal or greater value, the online receiving application is less important to implement immediately, although it may still have merit in the future once staffing and other operational issues are stabilized.

Recommendations

The district should:

1. Identify the scope of effort needed, time lines required, costs and benefits of online receiving to inform decisions regarding added value and an implementation plan if the decision is made to move forward.

2. Ensure that IT works with the finance and administrative services unit to make decisions about such an implementation.

Overrides of System Controls Due to Budget Timing

The Banner system has a control feature that the district uses to prevent a purchase order from being issued when the budget account has insufficient funds to cover the amount. A manual override feature allows a purchase order to move forward if funds are inadequate, but it takes specific action by someone with the correct level of authority to apply the override. At CCSF, manual overrides occur routinely, as many as a dozen times a day. Toward the end of the fiscal year these grow substantially in number.

The overriding feature is most prevalent for restricted fund grants. This is because the fiscal office is behind in assigning grant fund numbers and posting line item budgets for grants in the system. It also lags behind in posting regular budget transfers from one line item to another. This likely is caused by staff vacancies in the fiscal office. Because the budget is not in place the workload is increased, the controls compromised, delays encountered and the tension level raised for all involved. As later discussed in this report, this circumstance also affects year end deadlines.

Recommendations

The district should:

1. Commit to processing grant line item budgets as quickly as possible and making transfers between accounts within a set number of days after receipt to break the cycle of inefficiency and weakened controls.

2. Provide a calendar to budget managers showing when transfers will be processed and clarifying the types of transfers needing prior board action. This will also be important in moving to online purchase requisitions.

3. Include the timeliness of processing budget adjustments as a component of the performance evaluations of appropriate staff.

End of Year Deadlines

The district publishes a cutoff date each year for purchase requisition submittals and for processing other types of acquisitions to help establish an orderly close to the fiscal year. The cutoff date also helps establish in which fiscal year purchases will be charged. When the cutoff date is ignored by the business office, the departments making purchases are unsure of which year's budget is to be charged, which contributes to the delay in closing the fiscal year. This has contributed to difficulties in recent years in getting the annual independent audit completed on time.

When the purchasing department ignores its own deadlines, this sends a message to other departments that the deadlines don't mean anything. This weakens the credibility of the department and boosts the perception that other directives from the finance and administrative services unit have no real meaning or consequences.

During its recent fiscal difficulties, the district has attempted to manage expenditures to protect its fund balance and to ensure that grants are fully charged for costs that might otherwise end up being charged to the unrestricted general fund in error. This may mean that some flexibility is needed in the year end process to ensure that grant accounts are fully and properly charged for expenditures, but it must be closely controlled.

Recommendations

The district should:

1. Make a commitment to set realistic deadlines and enforce them.

2. Strongly advise departments that deadlines will be enforced to provide a timely fiscal year close and to help them better manage their budgets.

Informal Directives

As the district has wrestled with significant fiscal issues and fewer staff, decisions regarding process and procedural changes have been made verbally without written follow up. There is uncertainty as to how long these changes are to be applied. This is confusing for staff, difficult to monitor and can compromise system controls.

Recommendations

The district should:

1. Instruct the finance and administrative services unit to review and document any changes in procedures with its departments.

2. Ensure that any verbal change to established procedures or protocols is confirmed in written or electronic form, including the reason for the modification, what is affected and the duration of the modification.

Business-Related Departments

Bursar's Office/Financial Aid

The district maintains cashiers in the admissions and records office to process students' payments when they register. The receipts and records of transactions from admissions and records are taken to the bursar's office for validation and deposit. A number of cash transactions are handled directly through the bursar, including but not limited to associated student fees, parking fees, parking permits, department funds, events, agency funds, some foundation and scholarship funds, library fines, health testing fees, and deferred student fee payments.

There is very little cash collection at the centers and therefore no bursar staff is assigned to the centers because fees are usually paid online or at the campus.

A clear reporting structure is not delineated for the bursar's office in the organizational chart. The financial aid office is shown as reporting to the bursar, but that is not correct based on information gathered in numerous interviews. FCMAT understands that both report to the associate vice chancellor for finance.

There should be ready access to a position with decision-making authority when operational questions arise, such as the controller. The controller position is focused on day-to-day fiscal operations, and cash control is a major component of that responsibility. The financial aid office could report to the bursar, grants accounting manager or controller. Two of those three positions are vacant, and there should be some flexibility in making a final determination.

Last fall, a problem regarding uncollected student fees received a great deal of media attention. The district indicated it would take a more aggressive posture in enforcing the payment of fees through student holds of transcripts or grade reports and blocking registration for classes. The same circumstance of nonpayment applies to nonresident tuition as well.

The college catalog states clearly that all student fees and non-resident tuition fees are payable at the time of registration. It makes no provision for deferrals or a payment plan. FCMAT inquired about the deviation from policy and was told that the board approved the change. The policy and procedures were not modified to reflect the change. The district is seeking a vendor to implement and manage a payment plan process. This is not anticipated to be in place until early 2014. The district has increased the amount of bad debt expense it records for uncollectible fees based on the external auditor's recommendations. The amount of unpaid student fees varies depending on time of year but averages several million dollars. The district's only form of collection for defaults is participation in the state chancellor's office tax offset program (COTOP). This has limited success. No other third party collection service is used to recover these funds.

Recommendations

The district should:

1. Implement a clear reporting structure for the bursar's office. Consider having the bursar report to the controller and the financial aid office report to the bursar, grants accounting manager or controller once vacant positions are filled.

2. Clarify its system for payment of student fees, including nonresident tuition, and ensure that policy and the catalog reflect those provisions.

3. Consider utilizing a third party collection service to more rapidly resolve the outstanding receivables.

Grants Accounting

The district has many federal, state and local grants. Some are ongoing programs such as Vocational and Technical Education Act (VATEA), Extended Opportunity Programs and Services (EOPS), Disabled Students Programs (DSP) and Basic Skills. The grants range in size from very large at $1.5 million to very small local grants at a few thousand dollars. These grants vary as to whether they have carryover provisions or are multiyear in nature. As a result, the district has many grants active in any given year.

The following table groups the list of grants with funds available in 2012-13. Original award amounts are reflected, regardless of the funds available in 2012-13 since some multiyear grants had a small amount of carryover remaining in 2012-13:

Grant Range	Number of Grants/Ratio of Total	Orig. Award/ Ratio of Total
Less than $25,000	22 / 22.4%	$241,273 / .7%
$25,001 to $50,000	10 / 10.2%	$390,087 / 1.2%
$50,001 to $100,000	14 / 14.3%	$1,128,872 / 3.5%
$100,001 to $500,000	36 / 36.7%	$9,693,738 / 29.8%
$500,001 to $1,000,000	7 / 7.1%	$5,043,288 / 15.5%
$1,000,001 or more	9 / 9.2%	$16,018,851 / 49.3%
Total	**98**	**$32,516,109**

Grants are worth pursuing but must be consistent with the institution's goals and mission. They also may require matching funds, have ongoing requirements after the grant expires, and need management while active. No specific guidelines are in place to evaluate the impact of grants on district resources before applications are submitted. The grants office is working on an internal approval form that will request and gather important pre-application information, but additional screening criteria is needed.

The table above shows that the number of grants under $100,000 is 46.9% of all current grants, yet their value is 5.4% of the total award. This is an important consideration because it can take as much effort to manage a small grant as a large grant.

The business office grants accounting manager position is in the process of being filled. It has been vacant for more than a year. This position distributes work to the grants accountants and sets up new grants in the financial system. These tasks are being handled by an employee who already had a full workload, which delays setting up new grants, causes overrides and work-arounds, and contributes to issues in purchasing and payroll.

Setting up grants and assigning fund numbers in the financial system are essential tasks because budgets cannot be loaded or employment processed until this is accomplished. The effect on other departments and the grant managers is significant. Because the grants accounting manager position is vacant, the processing of new grants is slower than it should be and has contributed to major inefficiencies.

The grants accounting group is not aware of grant applications that are pending and don't see the impact on workload until they are notified of a grant that is ready to be set up. It was indicated to FCMAT that a grants module in the Banner system can address this and other grants management issues. The district does not use this module.

The district uses two methods to assign grants to the accounting staff. One is based on funding category (federal, state or local) and the second is based on relationships, meaning if a grant manager has multiple grants from the different funding categories the same accountant handles all of them because of the relationship with the grant manager. The approach has a logical base but does not consider the balancing of workload.

Many grants include an indirect reimbursement to the district for costs related to grant management. These reimbursements are often used to offset personnel costs. It is not clear to college staff how and where the district applies the indirect cost reimbursements received from the various granting agencies.

Recommendations

The district should:

1. Complete the hiring process for the grants accounting manager. This is the key to making further improvements in performance.

2. Assign responsibility to the grants accounting manager to set up grants and assign fund numbers.

3. Utilize back-up personnel who are trained to set up grants and fund numbers in the absence of the grants accounting manager.

4. Have the grants accounting manager evaluate the methods used to assign grants to accountants to determine whether changes are necessary to ensure a balance of workload among the staff.

5. Establish guidelines to evaluate the effect on district resources, consistency with district mission and ability to support the grant before applications are submitted.

6. Consider establishing thresholds below which it would not pursue grants, given the limit on staffing.

7. Evaluate the Banner grants module (or a later version, if available) for possible implementation.

8. Document its process for the use of indirect cost reimbursements to help determine the effect of new grants and the loss of established grants on district support services.

General Accounting

The controller position has been vacant for more than a year due to the inability to attract qualified candidates. The district feels it has addressed this issue by obtaining permission to hire at the full pay scale, not the discounted 12% scale, and is in the process of screening candidates. It is important to the success of the fiscal office to fill this position with a qualified candidate as soon as possible because it manages day-to-day business office functions and plays a major role in ensuring internal controls are followed. The fiscal organization reflects a big gap from the senior management level down to the classified level because of the vacancy, with staff expressing concern that the enforcement of accounting guidelines is suffering. The controller position bridges this gap and is designed to provide a higher level of scrutiny regarding compliance with accounting principles, district procedures and internal control processes.

Vendor payments appear to be processed timely, and there are few complaints in that area. Because various positions in the finance and administrative services unit were eliminated during budget cuts, duties have been redistributed. As a result, some activities do not function as well as before the distribution, such as contract processing. Previously, contracts were managed by the administrative services department. That entire department was eliminated and now various departments perform different parts of the process, such as legal counsel, accounting, and purchasing, with sign-off by multiple senior managers. This disjointed process slows the movement of contracts and causes difficulties in tracking the progress of contracts through the process. In some cases accounting is requested to make payment on an invoice absent a copy of the signed contract against which to verify it.

As is true with other departments, staff turnover and position elimination has caused loss of institutional memory. There is a lack of procedure documentation and desk manuals for accounting office positions. Structured training and cross training has not been available, so there is little or no backup for various assignments when staff is absent.

Recommendations

The district should:

1. Fill the open controller position as a top priority. Utilize a more aggressive approach if the current attempt is not successful. This could include more directed advertising, use of a professional recruiting firm, or enhancement of the salary if warranted.

2. Ensure that each employee develops a desk manual so that others can complete tasks when necessary.

3. Schedule structured training on procedures, Banner functions, and internal controls.

4. Establish cross training throughout the accounting department.

5. Evaluate the controller, once hired, on the progress of cross training, desk manuals and structured trainings throughout the business department.

6. Set up a process for the use of a secondary formal document that accounting can utilize when an approved contract is not available and an invoice needs to be paid.

7. Document the contracts process, clarifying responsibilities.

8. Designate a position or positions to monitor the progress of contracts through the established process.

Budget Development, Control and Monitoring

The budget development process is centralized. Budgets are generally rolled from one year to the next and then adjusted for step and column salary changes, benefit costs and other mandates. In recent years, vacant positions were frozen and few were filled. Budget adjustments are being made starting in 2013-14 to reflect the board-adopted eight-year plan for fiscal stability. As evidenced in the three-year budget modeling conducted last fall and based on recommendations from the FCMAT study in September 2012, the district recognized the need for a longer term plan to increase fiscal stability. It developed the eight-year plan with strategic elements such as rebuilding the reserves, funding maintenance, updating technology and addressing unfunded liabilities.

In 2012-13 the district has implemented a program review process that links budget requests to planning. It will become the basis for distribution of new resources and possible reallocation of existing resources to various departments or functions throughout the district.

The costs of part-time instructional faculty are determined by the business office together with the Office of Instruction. The FTES targets are established, full-time regular faculty hours accounted for, and then the full-time equivalent faculty part time developed (FTEF). Once the part time FTEF is established, the business office allocates funds to instruction. This budget and process is managed by senior staff in the Office of Instruction. The divisional deans are then assigned FTEF. This approach makes it harder to hold divisional deans accountable to performance standards because they do not know the division-level budget for these costs. Even if they know the FTEF, they are unaware of the funding. The vice chancellor of finance has indicated that the process will change in the 2013-14 adoption budget to reflect funds budgeted at the division level for part-time faculty. The deans will have a budget and costs will be charged against that budget.

FCMAT examined a number of budget documents available to administrative and support staff in the Banner system. The available reports allow the budget to be viewed at a summary level sorted in various ways, as well as at the department level with line item listings for each employee by name and salary. Although FCMAT did not examine every possible report, the sample revealed significant data available at multiple levels of detail. System access appeared broad, but staff did not seem aware of the accessibility or the available data. Turnover in management positions and the lack of structured training for budget managers appears to be the reason for the lack of knowledge.

Support departments have more direct involvement in managing their budgets than the instructional divisions.

There are no budget incentives for good budget management and no real consequences for overspending.

The district has acquired a software product, ARGOS, which is intended to make accessing Banner reports easier and more intuitive. Funds have been provided in the 2013-14 budget to continue this software implementation. This is discussed further in the ITS section of this report.

Fiscal office staff acknowledge issues with establishing grant budgets, processing budget transfers and assigning position control numbers, along with the need to be more responsive. The biggest reason for the delays seems to be staff shortages in the positions responsible for these tasks.

The district has sophisticated modeling tools for monitoring budget performance that staff utilize regularly to project budget results for the year. The fiscal office can project performance for year-end months in advance. This has worked well and provides the district reliable estimates to use in making operational decisions.

Technical development of the budget is done primarily by the associate vice chancellor for finance. This is by default rather than by design based on the staff reductions.

Recommendations

The district should:

1. Provide budget detail to division deans so they are more involved in the budget process.

2. Ensure that budget managers are aware of their approved access to the financial system, as well as what they are responsible for monitoring, so they can be held responsible for budgets.

3. Provide structured training for budget managers, including mandated training on fiscal procedures, HR, purchasing, payroll, budget, and how Banner supports those functions.

4. Ensure that instructional departments have more direct involvement in managing their budgets.

5. Provide budget incentives for good budget management, as well as real consequences for overspending.

6. Move quickly to make ARGOS fully functional so staff can more easily access and analyze budget data that is available in Banner.

7. Change the budget process from an automatic yearly rollover to a process that considers changing operational requirements annually.

8. Continue to emphasize the newly amended program review process so that it continues to link planning and budgeting.

9. As an additional means of validation of the overall budget, include past budget performance as one criterion in the program review process when considering new funding requests.

10. Fill existing vacancies to alleviate tardiness in establishing grant budgets, processing budget transfers and assigning position control numbers.

11. Consider adding staff to address budget development and monitoring.

Business Office

The office of vice chancellor of finance provides leadership, guidance, budget development, planning, and support functions, and advocates for the college with all outside agencies. CCSF is a strong chancellor-driven institution with significant emphasis on local politics. Recent history reflects uneven leadership by the chancellor and the absence of team building to guide and hold cabinet members accountable for their contributions to district success. This environment has contributed to a lack of support for the business office and its vital role in the organization. A deteriorated relationship between the chancellor and the vice chancellor of finance may have caused significant fiscal issues for the district. The chancellor made major budget decisions against the advice of fiscal staff and did not allow for critical, open business office positions to be filled. Cabinet members operate their respective units independently, rather than working as a team. Lack of cooperation is evident throughout the district, causing difficulties in managing district priorities such as FTES, FTEF, academic programs, facilities planning and a planning-driven budget.

In the last few years, the district has managed its resources and budget with minimal support staff and inadequate funds to conduct preventive maintenance in its facilities.

The difficult relationship between the vice chancellor and chancellor along with the chancellor's unstable budget scenario left the district unable to make necessary budget reductions to mitigate declining enrollment and decreased state funding. The district has lost many talented employees through retirement and resignation due to fear of layoff or termination. Morale also appears low in the finance and administrative unit, as well as throughout the district.

The large number of vacant leadership positions in business services has made it necessary for the vice chancellor to intervene in minor day to day issues and emergencies. This leaves the vice chancellor little time to attend to important and complex issues such as negotiations, budget allocation and development, enrollment management, or team building with cabinet members. It has also impeded his participation at the state level regarding issues important to the district.

The district's Educational and Facilities Master Plans are outdated and have failed to guide the district during the difficult fiscal times or provide a blueprint for facility planning and use.

The district office location on Gough Street is too distant from the main campus and centers. Employees and students must come to the Gough Street location for human resources and payroll related services.

Supervision of some departments under the business office is difficult because the staff are not all at the same site. The district may want to consider raising funds for future facilities needs by selling the current district office location and moving departments from that building to the main campus.

Recommendations

The district should:

1. Ensure that the new, permanent chancellor devotes more time to executive team building.

2. Hold each cabinet member accountable for their assigned unit and for cooperating with other units to improve CCSF for students and the community.

3. Support a strong working relationship between the chancellor and the vice chancellor of finance.

4. Ensure that the vice chancellor of finance develops a balanced and planning driven budget based on the Educational Master Plan and an annual program review of each department.

5. Ensure that the vice chancellor of finance is appropriately engaged in all major aspects of the district such as negotiations, enrollment management, FTEF, FTES, facilities planning, and working with outside agencies.

6. Prepare an Educational Master Plan, on which a Facilities Master Plan should be based to provide a blueprint for facility planning and use.

7. Ensure that all key leadership positions in business operations are filled during 2013-14 to provide leadership, guidance and proper planning.

8. Initiate team building exercises in and among departments to foster cohesion and cooperation.

9. Consider relocating the district office onto the main campus to be closer to where services are needed.

Facilities and Planning

CCSF has 10 sites with 38 buildings, 2,528 rooms and 33,123 assigned work stations. This totals 1,245,290 assignable square feet and 1,952,419 gross square feet. These properties require preventive and routine maintenance, periodic modernization, replacement of old buildings and the addition of new buildings to meet growth and demand for new programs. Unfortunately, very little attention has been given to the planning and allocation of resources to manage district facilities. This is evident at every site and nearly all buildings. Site visits showed little maintenance of items such as carpeting, restrooms, and paint. The latest deferred maintenance list exceeds $1 billion and is growing, without any plan for mitigation in the near future.

Staffing in the facilities and planning department is at the lowest level in recent times, such that meaningful services can't be provided. The department has one clerical staff member and no support staff or manager. There is no staff to handle construction related bids for the district. The district relies on purchasing department staff for this function, but they have no formal training in preparing construction bid documents and specifications. The district is building new facilities and adding gross square footage without planning for their maintenance. Salary reductions, open positions, and inadequate training have led to a lack of skilled manpower to perform facilities related functions.

Recommendations

The district should:

1. Discontinue pursuing new projects to prevent further deterioration of facilities. Use available funds to first mitigate poor facilities conditions.

2. Develop a plan to mitigate all deferred maintenance projects. Consider an increase in funding to avoid similar situations in future years.

3. Hire permanent staff in the facilities and planning department to provide stability and prepare the district for future years.

Maintenance, Buildings and Grounds

For the last two years the maintenance, building and grounds department has had no permanent manager. Staff handle only major emergencies because adequate funding is not available. Preventive maintenance is not occurring, nor are funds provided for it in the budget. Midlevel manager positions are filled by regular staff who work out of class to perform daily duties. Since the regular staff members are not trained as managers, this arrangement is not working well. The department lost a significant number of staff at each level due to budget cuts, and this department appears to have suffered disproportionately. For example, the district has one plumber and one electrician to manage 1.9 million gross square feet of real estate, which is inadequate by any industry or best practice standard.

During the planning for new buildings or facility renovation of existing buildings, input from affected staff is ignored by architects and planners. As a result, staff spend more time and resources in conducting tasks since their needs were not incorporated in the original plan.

All work orders are maintained manually, and the staff has very little knowledge of what needs to be done. Lack of clarity about the work orders creates anxiety among staff that request services, and among those who provide services. Lump sum amounts are provided in the budget for routine maintenance without consideration of current need or past experience. This is very concerning because most of the funds are spent early in the fiscal year, after which departments must rely on the vice chancellor of finance to find funds from other departments.

Recommendations

The district should:

1. Regularly budget in the general fund an appropriate amount to address routine preventive maintenance, with the intent of avoiding much greater costs that would result from a lack of such maintenance.

2. Train all department managers on use of the Banner system to manage their budgets online.

3. Provide line item budgets rather than lump sum amounts so that staff can better understand where funds will need to be utilized.

4. Ensure that a historical use of funds is understood and considered in developing maintenance, building and grounds budgets.

5. Consolidate some centers based on the finalized total cost of ownership study that is in progress if the economic benefit warrants such consolidation and a means to serve affected students is identified.

6. Prepare a Facilities Master Plan to address future facilities needs.

7. Staff the larger centers with dedicated support personnel to provide day-to-day facilities services.

8. Conduct a comprehensive review of all facilities-related staffing to determine if adequate staff are available to serve all buildings.

9. Consider staff input with any modernization or construction of new buildings.

10. Research and evaluate computerized work order systems to better manage staff time and gain understanding of outstanding work orders and the amount of time and resources allocated for each site, and to create greater accountability for the facilities department.

Information Technology

Access to Data

The district has insufficient security access controls to ensure that only appropriate employees have access to data in Banner. The lack of access rights control to sensitive Banner information is a very serious concern. When an individual changes positions at the district, access rights are carried forward without modification. In the new position, the employee may receive additional access rights based on a manager's recommendation. These rights are added to the list of previously granted rights, without assessment to ensure that old access rights are removed. Employees' access rights accumulate as they change positions because access rights are assigned to the person instead of the position in Banner. If access rights were assigned to the position, then whoever occupies the position would have the access rights appropriate for that role and nothing else.

While certain department managers are responsible for the security of specified areas of data, no routine auditing appears to occur to ensure that access rights are appropriately added and removed. The ITS department does not receive information regarding new employees, terminations, retirements, etc., so they can adjust access rights in a timely fashion. There is also no process for removing access rights once employees change positions.

Recommendations

The district should:

1. Audit the access rights assigned to existing and past employees at CCSF to determine where security vulnerabilities exist.

2. Develop a system to assign and track access rights for managers who are responsible for access security.

3. Modify assignments in Banner so that access rights are assigned to positions and not to employees.

4. Establish a process to notify the ITS department and key functional managers of personnel changes (new hires, terminations, retirements, reassignments, etc.) so that access rights may be adjusted as necessary.

5. Designate an information security officer to ensure that annual audits of Banner access rights assignments are accomplished.

6. Train managers who are responsible for access security in the proper measures to maintain that security.

Use and Accuracy of Data

Interviewed staff expressed a need for a reporting system that is responsive and tailored to their individual needs. The ITS department has adopted ARGOS (a report writing tool produced by Evisions) to address this need and has provided some consultant-led report development and user training. Although the Banner system has report-building tools, they are cumbersome, so adopting ARGOS is a positive step.

ARGOS is compatible with Banner and can address issues associated with managers and staff not receiving the information they need to perform their responsibilities. However, a successful rollout of ARGOS will require the ITS department to treat it as a major conversion project and plan to implement accordingly. A full implementation of ARGOS could take as long as 12 months, but since CCSF has already conducted some data block development and user training, less time may be needed.

The district does not have a data warehouse[3] for storing longitudinal data, which impedes the ability of the district to perform comparisons of data, such as year-to-year, term-to-term, etc.

Recommendations

The district should:

1. Make the rollout of ARGOS a priority project for ITS, and ensure it includes:

    *   Assessment of department reporting needs

    *   District-wide training of users and report developers

    *   Prioritization of critical report needs for implementation

    *   Development and certification of critical department reports by ITS personnel

    *   Assistance to users in developing skills to do their own ad hoc reporting

    *   Development of a clearinghouse of reports for each department

2. Consider adopting and integrating a data warehouse into Banner to provide a repository for longitudinal data.

Centralized vs. Decentralized Information Technology Organization

The management of IT systems and operations requires close coordination to achieve smooth and reliable operations. This is difficult when IT personnel are distributed throughout the organization, as they are at CCSF. While most IT technical personnel are assigned to and located in the central ITS unit, many IT personnel are located in administrative departments,[4] with the result that the district's administrative IT operations are not managed and coordinated by a single organization.

The distribution of IT personnel across departments has resulted in uneven delivery of services, because some departments have IT personnel and others do not. ITS and department employees report that coordination issues exist between ITS and department IT personnel with regard to implementing and supporting IT systems, resulting in service delays and reliability issues. Department staff state that ITS personnel do not understand their business processes and accordingly cannot provide reliable support, and say that ITS services are not delivered equally across all departments.

---

3   A data warehouse is a database that stores, archives, and collects data usually from a variety of places that can be used to provide reports and information that span across different sources of data as well as time frames. Databases associated with Banner are called Enterprise Data Warehouse (EDW) and Operational Data Store (ODS), although other databases can be used as well.
4   Such as admissions & records, finance, disabled student programs & services, Learning Assistance Center, financial aid, library, Educational Technology Center, office of instruction, human resources, and matriculation.

Recommendations

The district should:

1. Identify IT personnel in departments who perform highly technical functions requiring coordination with ITS-managed systems and reassign them into the ITS organization. This includes IT personnel who configure/customize the Banner system and the ancillary applications that interface with Banner.

2. Establish policies regarding the type of technical work that may be accomplished by technical personnel who are assigned to and located in departments.

3. Establish better understanding of departments' needs through business process reviews and Banner functionality training for the ITS applications and programming staff and for the department staff they support.

4. Schedule and conduct periodic coordination meetings between members of ITS and the IT staff in departments.

Technology Leadership

A strong, experienced technical leader (CTO) is needed to address necessary cultural changes and improve technology service delivery by restoring trust and confidence in the ITS department and by gaining the support of district management. Qualified candidates should have experience in working in California community colleges, a proven track record in leadership and change management, and strong communication skills.

CCSF has not had a permanent CTO for two years. District personnel who were interviewed universally expressed a strong need to permanently fill the CTO position.

ITS staff and department members reported several indicators of weak IT leadership in the district, including:

- Low ITS department morale

- A near universal view that the ITS department is not as responsive as it could or should be

- A lack of communication between the ITS department and other departments (although all those interviewed expressed strong praise for the communication and leadership skills of the interim CTO who departed on June 1)

- History of rejecting central coordination of IT operations and systems

- Resistance to change especially with regard to improving business processes

Improving the delivery of technology services at CCSF will require major changes in how the ITS department personnel view and implement their jobs and how district users interact with the ITS department. Good CTO leadership is a critical factor, but the entire management team will need to support the change in processes that will be necessary to achieve effective and responsive technology service delivery. Having the new CTO report directly to the chancellor will empower

the CTO to make changes and send a strong message to all departments that top administration prioritizes technology service.

Recommendations

The district should:

1. As a top priority, establish a process to hire a highly qualified CTO.

2. Consider having the CTO position report directly to the chancellor to facilitate direct coordination with unit leaders and to emphasize the strategic importance technology has in enabling student success.

Banner System

The Banner system has become heavily customized, preventing timely adoption of updates, modification and new functions. In addition, the district does not have the current releases[5] of Banner modules installed and operating

Customization of an enterprise resource planning (ERP)[6] system such as Banner eventually results in the organization being unable to accept further modifications and improvements from the vendor, thus shortening the life and usefulness of the system. Many business processes provided through offline programs that are written and maintained locally could be managed more efficiently through implementation of Banner functions such as the online requisitions application, the faculty load and compensation application, and the grants application.

Because the ERP system represents a major investment of money and district staff time to implement, the district should extend its life and utility by limiting customization.

There are three basic methods to customize an ERP system: (1) configuring customizable tables and parameters, (2) building offline applications that interface with the system's database, and (3) modifying system core code. Most organizations will customize an ERP using the first method, which is acceptable way to adapt the system to local needs. If needed, a limited amount of customization may be accommodated through the second method. The third method of customization should be avoided. The district uses all three methods, including significant modification of system core codes.

The past interim CTO had planned to bring Banner up to date in releases by October 1, 2013, then conduct some business process reviews with departments and modify processes accordingly. In the best of circumstances, this would be an aggressive schedule. With the interim CTO now gone and the manager of applications and programming on extended leave, it is doubtful that this schedule can be met.

---

5   Releases includes modifications, versions, updates, etc. to the Banner software to fix bugs and add new functions.
6   An ERP system is a computerized information system that automates the processing of business operations at a college. Most ERP systems contain modules covering budgeting, payroll, enrollment, financial aid, student records, personnel records and other business functions of the college.

Recommendations

The district should:

1. Conduct a business process review of each major process in Banner, along with training on current Banner functions to determine where changes to local business processes and Banner usage would yield improved operations and less customization.

2. Use the Banner Advisory Group or create another committee with participation from affected functional and academic departments to review all proposed changes, upgrades, and modifications and participate in implementation planning and execution.

3. Remove as many of the ancillary programs interfacing with Banner customizations as possible and replace with baseline Banner functions.

4. Back out all customizations of system core code.

Email Systems and Computer Labs

Some interviewed staff reported that the district has multiple email systems. The resources needed (budget and staff time) to support multiple systems that perform similar functions are costly and inefficient. When duplicate systems perform a function that requires integration, such as email, it may be difficult to coordinate system operations.

Staff also reported that the number of instructional computer labs exceeds student academic needs and is difficult to support. The assignment of computer labs to individual departments can result in unused lab time when the lab is not being used for a class or other function. The district has over 5,000 computers in 13 locations. The trend is for students to bring their own devices (computers, tablets, etc.), with less need for open computer labs. Instructional lab computers are a valuable academic tool to assist instruction and student learning. However, given the availability of portable devices, the number of labs and computers could be reduced and/or consolidated.

Recommendations

The district should:

1. Review software applications and systems to identify those with similar functions and consolidate to reduce duplication.

2. Review the number and assignment of instructional computer labs to determine if lab consolidation is feasible.

IT Staffing

IT staffing at the district (including IT staff assigned to other departments) is roughly commensurate with staffing levels at other community colleges when the full-time equivalent students (FTES) student count is considered. Even so, key ITS department positions are vacant, e.g., the systems manager, academic/instruction manager and chief technology officer. The applications and programming manager is on extended leave without anyone filling the position in their absence. The manager of technical services is responsible for functions in the ITS department but is assigned to the library, making it difficult to perform the ITS duties.

ITS managers reported that their job descriptions (based on 2011 reorganization) need to be updated. In addition, some IT employees often perform duties that are not part of their job descriptions.

There are plans to hire a Banner lead manager to lead further system improvements. This position is critical to achieve efficient and effective administrative operations through Banner and to lead the ITS applications and programming unit.

An organizational structure without clear lines of authority and responsibility promotes confusion and confrontation. Employees working in job classifications above or below their actual assignments can raise salary and morale issues. While the individuals interviewed agreed that the current structure is confusing, they also believed it has been workable. FCMAT believes this structure is unnecessarily complex.

Recommendations

The district should:

1. Continue with the process to hire a lead manager to manage the Banner system and the applications and programming unit. This position should report directly to the chief technology officer.

2. Realign the ITS organization so that the systems department (under the technical operations department) is assigned to the same manager that its department is associated with in the organization. If the systems department will continue to have the same assigned manager, then it should be moved from technical operations to project management. If the systems department is managed by someone in technical operations, then it could remain in that department.

3. Assign the manager of ITS technical services to report directly to the chief technology officer.

4. Review the job classifications of technical and managerial personnel in the ITS department and other departments, and assign duties and/or realign job classifications appropriately.

5. Review ITS needs for unmet technical job skills and obtain training for ITS employees to realign their skills to meet district needs.

Technology Project Prioritization and Resource Allocation

The Program Review process at CCSF is designed to identify the district's most important technology projects (not limited specifically to IT) and to allocate financial resources for them. In the process, each department can identify up to two projects, which compete for priority and resources with those of the other departments. Although new technology projects may be chosen for implementation and resources allocated to them in the Program Review process, the ITS department conducts no review to determine whether or not chosen projects can be completed with the budgets allocated to them. There is no validation of the budget and its overall accuracy for those that are chosen.

Many requested technology projects do not make the top two projects of each department that are reviewed. Other than in Program Review, no process exists to review all requested IT projects and set priorities. The following are typical project lists that need to be prioritized:

- Major projects (new applications, modifications of existing systems)
- Banner system modifications, configurations, and updates
- Computer labs (new installs and refresh)
- Workstation installs (new installs and refresh)
- Smart classroom installs (new installs and refresh)
- Institutional research requests for reports

While some undocumented processes exist for selecting projects for implementation, it is not clear that departments have input or even visibility into these processes. Restoring confidence in the ITS organization will require that department employees have input and visibility into how technology projects are selected for implementation.

Recommendations

The district should:

1. Establish priorities for all projects submitted by college personnel.

2. Incorporate the following features in technology prioritization processes:

   - Unfettered submission of projects for review – all requests appear on one of the priority lists
   - Recommendations solicited on priorities through participative governance groups as needed
   - Priorities finalized by college managers
   - Results validated by college administration
   - Results communicated to all stakeholders
   - Projects and priorities reviewed and reset annually

3. Allocate some funding to the ITS department for working on these projects, with the understanding that only a subset of the projects on these lists can be funded in a given year.

Internal Controls

FCMAT examined the district's finance and administrative services internal control environment. This environment sets the finance and administrative services unit tone and influences the control consciousness of the employees. Internal controls are a set of rules, policies, and procedures that an organization implements to provide reasonable assurance that its financial reports are reliable, its operations are effective and efficient, and its activities comply with applicable laws and regulations.

Segregation of duties, access to assets, knowledge of policies, fiscal conduct, and control overrides are components of a healthy internal control system, and what FCMAT looked for in this review. Although adequate district policies and internal controls may have been in place in the past to mitigate internal control deficiencies, they appear to have been designed when staffing levels were higher in the finance and administrative services units. Because of staffing reductions or attrition, valuable finance and administrative department institutional knowledge has been weakened, and the internal control policies and procedures designed to maintain a healthy internal control system have been impacted.

The internal control system is interconnected. Because the district has lost finance and administrative services staff, much of the institutional knowledge necessary to pass on to developing staff no longer exists, and staff mentoring, cross training, and succession planning has been weakened. Reduced staffing correlates to the inability of staff to perform their required duties efficiently and accurately, which creates operational and financial errors, causes staff to consider procedural shortcuts, and often results in management considering the option of overriding policies and procedure to accomplish their responsibilities. Fewer staff creates work overloads, the potential for increased errors of all types, reduced ability to follow up with managers and subordinates, and less segregation of duties. Overworked staff combined with heightened management expectations from fewer remaining staff often lowers staff morale, and access to assets may be allocated to fewer experienced staff that understand the value of asset security.

Following are examples of internal control deficiencies that FCMAT found in the finance and administrative services unit that, if left uncorrected, will continue to result in internal control weaknesses, serious errors, the potential for fraud, and other internal control system vulnerabilities.

However, it is important to note that FCMAT's testing of transactions did not find evidence of fraud, misappropriation of funds or other illegal activities.

Internal Control Findings

FCMAT's internal control findings are the result of sampling finance and administrative services unit transactions and other procedures, including but not limited to observations of workflow and interviews of staff. Based on the results of transaction sampling and other procedures, additional sampling and procedures examinations were performed. FCMAT has grouped the internal control findings as serious, moderate, and low level.

An internal control finding results from an internal control deficiency or weakness. Common deficiencies or weaknesses are segregation of duties, access to assets, knowledge of policies, fiscal conduct, and control overrides.

Segregation of duties

- Separating responsibility for physical custody of an asset from the related recordkeeping is a critical control.

Access to assets

- Internal controls should provide safeguards for physical objects, restricted information, critical forms, and updates to applications.

Knowledge of policies

- District policies and procedures are available electronically. Administrators must stay abreast of policy changes and understand their responsibilities.

Fiscal conduct

- If any employee knows or suspects that other employees are engaged in theft, fraud, embezzlement, fiscal misconduct or violation of financial policies, it is their responsibility to immediately notify the college president or the president's authorized designee.

Control overrides

- Exceptions to established policies are sometimes necessary to accomplish specific tasks but can pose a significant risk if not effectively monitored and limited.

Internal Controls and Administrative Staff

To gain a better understanding of the internal control system, FCMAT spent considerable time interviewing, examining documents, and observing staff performing their duties. Considering how many positions have been reduced over the past few years, and the reduction of internal controls associated with the reduced staffing, more internal control findings were expected than were found. FCMAT strongly believes this can be attributed to the integrity of the staff.

Internal Auditor

Central to a properly functioning internal control system is an ongoing internal audit process that is managed by the position of internal auditor.

These internal audits are designed to provide management an independent assessment that monitoring systems, review procedures, authorization processes, and internal controls are functioning as intended. Internal audits also provide an opportunity for the district to improve and mitigate overall risk, including the detection of fraud or misappropriation of funds by employees in the normal course of business. While the internal audit process identifies weaknesses in the internal control system, it also enables the internal auditor to recommend corrective measures to management.

The district employed an internal auditor from October 2008 to January 2013. Regardless of the district's dependence or independence from the city and from the county office, the district's control environment is weakened without an internal auditor in place. The control environment sets the tone of the district and influences the control consciousness of employees, and the internal auditor is a key position in maintaining internal controls.

Internal Control Weakness Level: *Moderate – Segregation of Duties, Access to Assets, Control Overrides, Financial Reporting, Fiscal Conduct*

Recommendations

The district should:

1. Fill the internal auditor position as soon as possible.

Transaction Sampling Analysis

Various aspects of the finance and administrative services unit affecting employee and vendor transaction processing and authentication were examined for internal controls. When FCMAT obtained the available vendor and employee information that was requested, the district's vendors totaled 98,636, and total past and present population of employees was 5,911.

Employee Population Analysis

To determine if the population of employees was accurate, two separate sample lists of employee names and identification numbers were requested and compared. Table I shows that of the 5,911 employees sampled, both employee sample lists were comparable.

Table I

Number of Employees - Comparative Analysis					
Description	Total Population	Sample Population	Percent Sampled	Number of Deviations	Percent Deviations
Number of Employees-List 1	5,911	5,911	100%	0	0%
Number of Employees-List 2	5,911	5,911	100%	0	0%

Vendor and Employee Comparative Analysis

Vendors were also compared to employees. The total population of vendors at the time the sample was received was 98,636. FCMAT anticipated that there could be employees who were also vendors in the accounting system, because employees may be considered vendors with regard to payment for reimbursed expenses such as travel or other approved purchases. While it is true that employees may be identified as vendors for the reason noted, vendors may not be considered employees. If vendors were also to be identified as employees, such an occurrence is problematic and would raise concerns and warrant further attention.

Vendor names were compared to employee names for any potential vendor/employee relationships aside from reimbursement for authorized purchases to determine if there were any potential inappropriate or high-risk vendor/employee relationships.

Table II shows that 4,409 of the 5,911 employees, or 74.6%, were paid as vendors for some type of reimbursement or other purchase. It is not uncommon for 75% of a district's staff to have been reimbursed for authorized travel, conference, or other purchase. No vendors were found to be employees.

Table II

Total Vendors and Employees - Comparative Analysis					
Description	**Total Population**	**Sample Population**	**Percent Sampled**	**Number of Deviations**	**Percent Deviations**
Total Employees	5,911	4,409	74.6%	0	0%
Total Vendors	98,636	98,636	100.0%	0	0%

Employee Reimbursements Analysis

Employees that received reimbursements or payments as vendors were then examined. From the 4,409 employees who received payments as vendors, FCMAT selected new employees, terminated employees, or both new and terminated employees who received a purchase reimbursement payment between October 1, 2012 and March 31, 2013 during the sample period of January 1, 2011 through March 31, 2013.

Payments to new and terminated employees are control points that are susceptible to mismanagement. Payments to new employees offer the potential to create and pay reimbursements or other purchases to a fictitious employee. Payments to terminated employees are vulnerable to mismanagement because it is difficult to recover reimbursement for a check issued in error. In addition, locating terminated employees to confirm that they actually were the recipient of a payment from the district can be difficult.

Employee reimbursements issued during the transaction sample period of October 1, 2012 through March 31, 2013 that met the criteria of new employee, terminated employee, or both new and terminated employee are shown in Table III. Table III identifies 51 new employees during the sample period of October 1, 2012 through March 31, 2013. Nine of these employees were reimbursed for a purchase. FCMAT examined five of nine (55.6%) new employee reimbursement checks and three of six (50%) terminated employees' checks, and found no reimbursements for new employees that were terminated in the transaction sample period.

Table III

New Employees, Terminated Employees, New and Terminated Employees Employee Status: January 1, 2011 through March 31, 2013 Transaction Sample Period: October 1, 2012 - March 31, 2013 Reimbursed Transactions Analysis			
Description	**New Employees**	**Terminated Employees**	**New & Terminated Employees**
Employee Population	51	263	4
Total Reimbursements	9	6	0
% Reimbursements	17.6%	2.3%	0.0%
Reimbursements Sampled	5	3	0
% Reimbursements Sampled	55.6%	50.0%	0.0%
Number of Deviations	0	0	0
% of Deviations	0.0%	0.0%	0.0%

The new and terminated employee reimbursement documentation was examined for proper authorization, accounting, documentation, review, and timing of payment that aligned with when the employee was hired or terminated.

An employee reimbursement package generally consists of receipts for the expense, an expense report, and requisition for supplies, services and equipment. Each employee reimbursement may be for more than one purchase transaction. For example, one employee may accumulate multiple expense report reimbursement events over the period of a month that are combined and issued on a single check. Examining the five new employee and three terminated employee reimbursement packages resulted in reviewing 24 separate transactions.

Other Employee Criteria Examined

Additional testing of employee files for transactional criteria for the October 1, 2012 through March 31, 2013 sample period was done to determine if the sample of new employees, terminated employees, or both new and terminated employees was properly paid, whether proper hiring and termination documentation was in the employee's file, whether sick leave bank documentation was properly recorded, and whether there were vendor file or reimbursement transactions for the selected employees.

Pay sampling evaluates an employee's base salary to determine if the employee was over- or underpaid. Hiring and termination documents are evaluated to ensure the proper documents were authorized. Sick leave bank documentation is then reviewed to ensure that an employee's sick leave donation to the sick leave bank resulted in the employee's personal sick leave decreasing and the sick leave bank balance increasing by those hours.

To identify that no transaction was in the vendor file for any employee, a sample of 24 terminated employees that were classified as not receiving any reimbursement in the transaction sample period of October 1, 2012 through March 31, 2013 was selected. Because the selected terminated employees had not received any reimbursements in the October 1, 2012 through March 31, 2013 transaction sample period, the sample testing objective was to confirm the absence of an employee reimbursement payment.

Table IV presents the results of FCMAT examination of other employee criteria sampling. Table IV identifies 51 new employees during the sample period of October 1, 2012 through March 31, 2013. Of those employees, FCMAT examined 10 other employee criteria, or 4.9% of the adjusted employee population.

Table IV

Other Employee Criteria Examined: Properly Paid, Vendor File Documentation, Proper Hiring & Termination Documentation, Traced to Sick Leave Bank Documentation Employee Status: January 1, 2011 through March 31, 2013 Transaction Sample Period: October 1, 2012 - March 31, 2013			
Description	**New Employees**	**Terminated Employees**	**New & Terminated Employees**
Employee Population	51	263	4
Adjusted Employee Population [1]	204	1,052	16
Other Employee Criteria:			
Properly Paid	4	21	4
Vendor File Documentation	4	24	4
Proper Hiring & Termination Documentation	2	27	1
Traced to Sick Leave Bank Documentation	0	1	0
Total Other Employee Criteria Sampled	10	73	9
% Other Employee Criteria Sampled	4.9%	6.9%	56.3%
Number of Deviations	0	0	0
% of Deviations	0.0%	0.0%	0.0%

1 Note: Consolidated sampling methods were used. Consolidated sampling represents sampling multiple criteria within the same transaction or employee documents. Because multiple criteria were sampled in each category of new employees, terminated employees, and new and terminated employees, it is possible for nine new and terminated employee criteria to be sampled when there are only four new and terminated employees in the new and terminated employee population. To adjust for consolidated sampling, the employee population was increased or multiplied by four, representing the four other employee criteria in order for the percent of other employee criteria sampled to be comparative.

The results of transaction sampling and other procedures performed gave FCMAT the necessary information to better understand the district's finance and administrative services unit's internal control system from which FCMAT was able to further examine additional internal control practices.

FCMAT's examination of the district's internal control system resulted in the following internal control findings:

Serious Internal Control Findings

Unauthorized Wage Rate Changes

All business, payroll and human resources staff have complete and open access to NBA Jobs, which is the Banner information system component that controls payroll range and step values, position class and title, and salary groups, tables, and pay grades. The payroll screen in NBA Jobs is thought to be accessible by approximately 125 employees.

When FCMAT sampled the step zero employees, one unauthorized wage rate change to an employee's salary was discovered.

Step zero occurs when it becomes necessary to pay an employee outside their standard salary placement. The human resources department process to place an employee in step zero is procedurally documented with instructions for employee pay rate status changes, confirmation of

salary status contractual letters, and other screen prints from NBA Jobs to support that step zero has been implemented.

Because employees outside human resources have access to NBA Jobs, they could easily increase or decrease an employee's pay rate without authorization. A change to an employee's pay may occur by either mistake or by design when the payroll system is open and vulnerable.

The human resources department documents the tracking of step zero employees by preparing a monthly Step 0 Employee list. FCMAT sampled two step zero employees listed in the February 2013 Step 0 Employee listing of 18 staff. The two step zero employees sampled were properly documented. Only staff on the human resources department's Step 0 Employee list are allowed to be at step zero.

To determine if any step zero changes to employee wages occurred outside human resources, FCMAT examined a Detail NBA Jobs Audit Report (Sorted by Captured Date) provided by human resources. One employee's wage step had been altered on February 16, 2013, which was not in the human resources Step 0 Employee report.

FCMAT researched how the employee's wage rate was changed outside the human resources department authorization. FCMAT found the wage step rate was changed by the payroll department in error, and the payroll department subsequently returned the employee wage rate back to the appropriate step on the same day the error was created.

The wage step rate error occurred inadvertently because the purchasing department needed to change a purchasing department employee's position control number to pay for the employee from a different funding source. When payroll was instructed by administration to implement the position control change, the payroll clerk accessed NBA Jobs and modified the position control number.

Unknown to the payroll clerk, when the position control number was modified, it also changed the wage step of the employee. Another payroll clerk discovered the change from step 5 to step 0 informed the payroll clerk who performed the position control number modification, and the employee's pay rate was returned back to step 5.

The above pay rate change is an example of how easily a pay rate modification can be made to any employee's wages, either by accident or design. In this case the error was discovered; however, factors including staff overworking, resignations, insufficient training, reductions in supervision and review, and ease of access to the NBA Jobs program may lead to further employee wage errors or deliberate alterations that may not be similarly discovered.

Only the human resources department should be authorized and have the ability to implement changes to employee payroll wage rates. The payroll department may be authorized to adjust an employee's position control number and position title; however, if the position control number change will affect an employee's wage rate, human resources should process the modification.

Internal Control Weakness Level: *Serious – Segregation of Duties, Access to Assets, Control Overrides, Financial Reporting, Fiscal Conduct*

Recommendations

The district should:

1. Ensure that only human resources department staff have the access, authority and ability to implement employee wage range and step changes in NBA Jobs.

2. Update the Banner system to only allow specific users in the human resources department to access pay rates in NBA Jobs, with all other authorized users granted limited access to modify other items as needed.

3. Review the approximately 125 NBA Jobs users in the system and modify access so that only appropriate human resources department users are authorized to access and modify pay rates.

Staff Payroll Overpayments

Staff overpayments commonly occur because of pay by load differences. Pay by load is an employee's pay that is based on a set amount of hours worked. A difference occurs when the employee works outside that set amount of hours. FCMAT sampled 12 of 51 overpayment transactions that occurred between January 2012 and December 2012. Based on the sample it was noted there is no formal payroll overpayment collection process. However, the payroll staff collecting overpayments have developed their own procedures for doing so.

When FCMAT attempted to sample January 2013 through May 2013 staff wages overpayments and the collection efforts, no overpayments were being processed for collection. The payroll clerk staff responsible for collections has not received from the payroll clerk responsible for determining wage overpayments any list of staff that have been overpaid since December 2012.

The payroll clerk responsible for determining overpayments receives a report from information technology that lists terminated staff to which there may be an overpayment. When an overpayment is found, the amount overpaid is calculated and a letter sent to the former employee.

The payroll clerk responsible for overpayment determination stated that she is so busy with other increased duties that there has not been enough time to send overpayment letters and prepare a staff overpayment list to provide to the collections staff.

The payroll clerk also stated that she submitted her resignation, Friday, May 24, 2013; the day FCMAT discussed staff overpayments. Unless this position is quickly replaced, FCMAT's concern is that staff will become more overworked and fall further behind in the work assignments, staff morale will further decline and errors will increase.

Failure to timely collect staff overpayments may result in increased difficulties in collection efforts as the time from the overpayment to the time that collection is attempted increases. This results in the district inadequately protecting public funds.

Internal Control Weakness Level: *Serious - Knowledge of Policies, Financial Reporting, Control Overrides, Fiscal Conduct*

Recommendations

The district should:

1. Prepare and implement a best practices staff overpayment collection procedure that includes time lines for determining staff overpayments, calculating the proper overpayment amount, issuing staff notice of overpayment letters, and preparing an overpayment list.

Vacation and Sick Time Tracking

FCMAT examined 19 staff vacation and sick time benefits biweekly time reports and corresponding classified staff time off requests from March 20, 2013 to May 23, 2013.

FCMAT found one staff member's vacation time off was understated or missing four hours of unaccounted vacation time during this period.

Vacation time off and sick time off is properly authorized; however, the time spent on proper management or supervisor review of vacation and sick time off is very limited. Without the detailed review and recalculation of at least a rolling sample, it is likely that both overstatement and understatement of employee vacation and sick time off is occurring.

Employees' understatement or underreporting of vacation or sick time off may be considered a gift of public funds. In addition, overstatement or overreporting of vacation or sick time off may be considered theft of time from the staff that did not get to use it.

Internal Control Weakness Level: *Serious - Knowledge of Policies, Financial Reporting, Control Overrides, Fiscal Conduct*

Recommendations

The district should:

1. Increase management sample review of vacation and sick time off calculations.

2. Consider hiring an internal auditor or project specialist to be responsible for performing reconciliations across all business department disciplines.

Moderate Internal Control Findings

Position Control

The position control department was reduced in 2007-08 from three staff members to one. No workflow process or checklist accompanies the Personnel Requisition Form 3 that would identify the position control flow and order of procedures that must occur for accurate and timely position control. This is a segregation of duties and management override issue because only one classified staff member now processes position control.

Staff reductions in the business, payroll and human resources departments have led to position control gaps in workflow. The payroll and human resources departments are without dedicated staffing in position control, which has resulted in each department questioning who should perform specific position control functions.

This has resulted in a process that routes the administrative forms necessary to complete an accurate, timely, and efficient position control staff placement back and forth between departments and lacks a step-by-step workflow between departments that is clear and reliable with duties identified.

Staff in each department believe they are not responsible for the position control function.

Internal Control Weakness Level: *Moderate – Segregation of Duties, Control Overrides, Financial Reporting*

Recommendations

The district should:

1. Prepare a checklist containing the workflow and requirements that each department must complete in processing a position control request.

Employee Benefits Confirmation

Employment benefits such as health benefits are paid for by the district but administered through the city of San Francisco Health Service System (HSS). No policy or procedure is available that outlines a procedure to confirm that all current benefits recipients are qualified to continue receiving benefits. The lack of confirmation that employees receiving benefits are actually qualified for benefits means the district may be paying for benefits of employees, their spouses or dependents that do not qualify, which may be considered a gift of public funds.

Internal Control Weakness Level: *Moderate – Access to Assets, Control Overrides, Financial Reporting, Fiscal Conduct*

Recommendations

The district should:

1. Recertify one-third of the total population of benefits recipients every year so that all benefits recipients are confirmed over a three-year process. At a minimum, send a self-certification letter to employees requesting the number of dependents. Include a certification statement in the letter that the information is true and correct under penalty of law.

Bursar's Office Cash Collections

During the study of cash transactions collected at the bursar's office, FCMAT found consistently applied cash receipts procedures once funds were remitted to the bursar.

When departmental fundraising or sales events were sampled, one selected department event did not have any sales transactions remitted to the bursar's office. The event occurred eight days prior to FCMAT's review of these transactions, and the bursar's office did not possess any record of funds submitted for deposit.

When any department or organization raises funds for any purpose, all funds collected should be immediately remitted to the bursar's office for safekeeping and deposit. Failure to do so is an internal control weakness and subjects those holding the funds to the possibility of theft of those funds.

Internal Control Weakness Level: *Moderate – Access to Assets, Control Overrides, Financial Reporting, Fiscal Conduct*

Recommendations

The district should:

1. Develop a departmental deposit policy that defines the maximum amount of time after fundraising or sales events that may pass before funds must be remitted to the bursar's office. For example, a deposit policy might state that all fundraising/sales deposits must be remitted to the bursar's office by 3 p.m. the day after the event or by the next business day.

Budgeting

The budget department was eliminated over three years ago and staffing for the budgeting component of position control was downsized in 2007-08. The computer system budget tables have not been updated since the budget department was closed. One business department staff member estimates that there are potentially thousands of aged budget table records that require updating. Outdated budget table records may lead to budget calculation errors that may overstate or understate budgeted revenues or expenditures.

Internal Control Weakness Level: *Moderate – Financial Reporting*

Recommendations

The district should:

1. Re-establish budgeting positions or assign the duties to other staff, and update the budget electronic tables.

Staffing Reductions

Reduced staffing in the business department, payroll department, and human resources department has resulted in staff assignments not being clearly defined. Staffing reductions in key business areas prevents segregation of duties and diminishes the financial integrity of the overall business function.

Without a properly staffed finance and administrative services unit, these departments are unable to provide the oversight necessary to ensure effective, accurate, and timely business and payroll processing.

Internal Control Weakness Level: *Moderate – Access to Assets, Control Overrides, Financial Reporting, Fiscal Conduct*

Recommendations

The district should:

1. Consider rehiring the necessary staff and management to implement an effective internal control system.

Access to Checks

Warrants that are used to pay vendors are kept at one accounting staff member's desk that is located in a heavy walking traffic area in the business office.

The accounting staff member does not have a locking filing cabinet or secure location to safeguard the warrants. Individuals walking by the staff member's desk may easily see the exposed warrants and documents that contain information that business and non-business department personnel should not be able to access. Without a secure safe or locking filing cabinet, any individual walking by the desk could remove warrants.

Internal Control Weakness Level: *Moderate – Access to Assets*

Recommendations

The district should:

1. Ensure that privileged information is kept secure by purchasing a locking filing cabinet to safeguard the warrants.

Low Level Internal Control Findings

Payroll Management Procedures

The payroll staff stated they previously had discussed staff paycheck overpayments with the director of payroll to implement a repayment process. However, with the director position vacant, no progress has been made with the process.

When the sick leave banking procedures were examined, FCMAT noted that from November 7, 2011 through June 28, 2012, the human resources department had been attempting to engage the director of payroll in addressing the process for the classified voluntary sick leave bank. The most current procedure has an amended date of June 30, 2010 and human resources was attempting to engage in a discussion about the operations of the sick leave bank between human resources, payroll, and the district business office regarding the accounting responsibilities. The accounting procedure has not been updated as of the date of this report.

Any time policies and procedures deficiencies are not resolved, it presents an internal control weakness because staff must perform their work duties without proper guidelines.

Internal Control Weakness Level: *Low – Knowledge of Policies, Financial Reporting, Control Overrides*

Recommendations

The district should:

1. Prepare a policy that specifies the process, including time lines, for updating nonfunctional and/or outdated policies and procedures.

Training

The absence of proper training has left staff unable to fully comprehend how to correctly and efficiently operate the Banner system or perform their duties. They become frustrated, lose efficiency, make errors, and may develop procedures outside of policy and acceptable procedures to complete their job responsibilities.

Without proper training, interdepartmental workflow cannot be adequately reviewed. Because of staffing reductions, the business, accounting, payroll, and human resources departments have developed differing views as to which services, such as position control, each department is responsible to provide.

Internal Control Weakness Level: *Low – Segregation of Duties, Control Overrides*

Recommendations

The district should:

1. Prepare a training schedule for all finance and administrative services unit functions, and offer in-house and external service provider workshops for all aspects of employee policies, procedures, and duties.

Payroll Processing Periods

In January 2013, the management payroll was changed from 26 pay periods per year to monthly pay, or 12 pay periods per year. Academic employees affected by STRS also are now on a 12 pay period schedule.

Classified payrolls remain at 26 pay periods per year, but conversion to a monthly pay cycle would allow more time between payroll cycles to correct errors.

An example of an error is when an employee's pay is based on a set amount of hourly pay or faculty loading that is automatically paid in the every two-week pay cycle. If the employee terminated before the completed two-week pay cycle, it is possible for the employee to be paid their full regular pay, leaving only two weeks remaining to correct the error before another pay cycle is

completed and the employee is paid again. Using a monthly pay cycle, more time is available to calculate the employee's proper pay.

Internal Control Weakness Level: *Low – Control Overrides, Financial Reporting*

Recommendations

The district should:

1. Consider converting all payroll pay periods to monthly.

Paper vs. Electronic Documents

The business department contains numerous filing cabinets filled with paper files for vendor, purchasing, special travel and employee reimbursement transactions. The filing cabinets are very old, and some cabinet drawers are difficult to open and close.

The district spends considerable time and resources copying and filing paper documents. Documents are often removed from the filing cabinets and not returned, or may be missing pages when returned.

The Banner system allows for attaching document images to each individual transaction. Although the business department uses student workers to help file, those workers could also be assigned to scan documents. Scanned documents attached to the Banner transaction provide efficient access to documents, do not require filing cabinets, cannot be separated, and are backed up electronically for safekeeping.

Internal Control Weakness Level: *Low – Access to Assets*
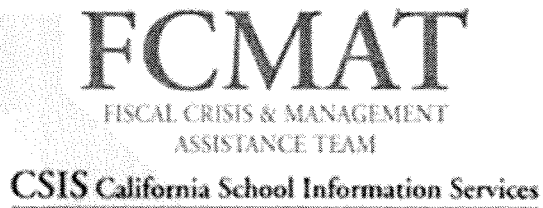
Recommendations

The district should:

1. Convert its document handling process to an electronic system, and when doing so, ensure that records are kept for the required retention period.

Appendices

Appendix A - Study Agreement

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

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
March 26, 2013

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the California Community College Chancellor's Office, on behalf of San Francisco Community College District, hereinafter referred to as City College of San Francisco, mutually agree as follows:

1. **BASIS OF AGREEMENT**

    The FCMAT team provides a variety of services to school districts, county offices of education, charter schools, and community colleges upon request. The California Community Colleges Chancellor's Office on behalf of the City College of San Francisco has requested that the team assign professionals to study specific aspects of the college operations, based on the provisions of Education Code section 84041. These professionals may include staff of the team, county offices of education, the California State Department of Education, school districts, charter schools, community colleges, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

2. **SCOPE OF THE WORK**

    A.   Scope and Objectives of the Study

    The scope and objectives of this study are:

    1.   The California Community College Chancellor's Office is requesting that the team conduct an organizational and staffing review on behalf of the City College of San Francisco that will be limited to the district's finance and administrative office. The review will include classified and management employees who perform business-related functions including but not limited to budget, accounting, payroll, accounts payable, procurement, bursar's office, capital outlay, financial aid, information technology, maintenance, grounds, facilities planning and construction. The scope of work excludes any review of the police and public safety areas.

1

2.   The team will provide comparative staffing data from three community college districts of similar size and structure for key finance and administration service positions, as well as provide recommendations to improve efficiency and possibly reduce costs. This comparison will include at least three comparable community college districts. The three shall be mutually agreed upon by the district chancellor, the chancellor's office and the team.

3.   The team will review job descriptions for key department positions, interview staff and make recommendations for staffing improvements or reductions, if any. All recommendations will include estimated and calculated savings and/or additional costs for any proposed position reductions or increases.

4.   The team will evaluate the current work flow and distribution of functions between the business and administrative functions, and provide recommendations for improved efficiency, if any. This component will include reviewing documents, including policies and procedures, and gathering data regarding current practices, procedures and separation of duties. The team will review the department's methodology for fiscal planning to develop and monitor the district's budget. The team may also interview other staff to determine the efficiency and effectiveness of services delivered.

5.   The college is requesting that the team conduct a review of internal controls, which are the methods used to help ensure that the college achieves its objectives and which comprise the foundation of sound financial management to help protect the district from material weaknesses, serious errors and potential fraud.

The primary focus of this component of the review is to provide the college with reasonable assurances, based on the testing performed, that adequate management and internal controls are in place for reporting and monitoring financial transactions, and that fraud, misappropriation of funds or other illegal activities have not occurred. Internal controls include the processes for planning, organizing, directing and controlling program operations, including systems for measuring, reporting and monitoring performance. The receipt of cash and/or cash transactions, payroll, purchasing, and accounts payable are high-risk areas in which potential fraud issues such as nonexistent employees or vendors, or misappropriation of assets including cash, may be detected. Specific review objectives include evaluation of policies, procedures, internal controls and transactions performed by the college.

2

The team will sample test data from the current and one prior fiscal year to determine if fraud, misappropriation of funds or other illegal activities may have occurred. Testing for this review will be based on sample selections; it will not include all transactions and records for this period. Sample testing and review results are intended to provide reasonable but not absolute assurance regarding the accuracy of the college's transactions and financial activity to accomplish the following:

- Prevent internal controls from being overridden by management.
- Ensure ongoing state and federal compliance.
- Provide assurance to management that the internal control system is sound.
- Help identify and correct inefficient processes.
- Ensure that employees are aware of the proper internal control expectations.

Although deficiencies in many areas may compromise the effectiveness of the college's internal control structure, deficiencies in the following areas are the most common:

- **Segregation of duties**
  Separating responsibility for physical custody of an asset from the related recordkeeping is a critical control.
- **Access to assets**
  Internal controls should provide safeguards for physical objects, restricted information, critical forms, and updates to applications.
- **Knowledge of policies**
  The college is not a static environment, and new policies and revisions are a constant. College policies and procedures are available electronically. Administrators must stay abreast of policy changes and understand their responsibilities.
- **Fiscal conduct**
  If any employee knows or suspects that other college employees are engaged in theft, fraud, embezzlement, fiscal misconduct or violation of college financial policies, it is their responsibility to immediately notify the college president or the president's authorized designee.
- **Control overrides**
  Exceptions to established policies are sometimes necessary to accomplish specific tasks but can pose a significant risk if not effectively monitored and limited.

3

The team will evaluate the college's internal control structure, policies and procedures to test transactions and reporting processes, and will provide recommendations for improvements if needed.

a.   Evaluation of the existing internal control structure:

    i.   Determine if adequate procedures are in place to safeguard assets

    ii.   Evaluate the integrity of information used for internal management decisions and external agency reports.

    iii.   Determine if authorization procedures are appropriate and consistently followed. Review administrator and manager approvals and whether signature authority is delegated only to authorized employees.

    iv.   Determine whether proper segregation of duties exists. The team will evaluate personnel, payroll, accounts payable and cash transactions, and will do the following:

- Review the authorization process for assessing class fees

- Determine if protective measures are in place for safeguarding college assets, finance databases, and records including payroll data.

- Determine whether safe combinations are changed periodically and any time a staff member who knows the combination terminates employment.

b.   Evaluation of Policies and Procedures:

    i.   Review compliance with college policies and procedures, including but not limited to those regarding finance and purchasing.

    ii.   Review document and records retention procedures to determine whether the college provides reasonable assurance that asset records are safeguarded and transactions are correctly recorded.

    c.   Evaluation of Reporting Processes:

          i.   Based on sampling techniques, evaluate monitoring and verify that controls are operating properly.

          ii.   Evaluate controls that prevent management from overriding internal controls and thus possibly misappropriating funds. Determine if the organizational charts show lines of authority.

          iii.   Evaluate whether clearly established lines of authority and responsibility exist within and between departments for proper review and reporting.

B.   Services and Products to be Provided

    1)   Orientation Meeting
        The team will conduct an orientation session at the college to brief college management and supervisory personnel on the team's procedures and the purpose and schedule of the study.

    2)   On-site Review
        The team will conduct an on-site review at the college office and at college sites if necessary.

    3)   Off-site Review
        The team will analyze documents and information provided by the college and correspond with college personnel as necessary for follow-up and clarification.

    4)   Exit Meeting
        The team will hold an exit meeting with the district chancellor, her designees and the special trustee at the conclusion of the on-site review to inform the college of significant findings and recommendations to that point.

    5)   Exit Letter
        Approximately 10 days after the exit meeting, the team will issue an exit letter briefly summarizing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.

6) Draft Reports
Electronic copies of a preliminary draft report will be delivered to district chancellor and special trustee for review and comment.

7) Final Report
Electronic copies of the final report will be delivered to the California Community College Chancellor's Office and the City College of San Francisco district chancellor following completion of the review. Printed copies are available from FCMAT upon request.

3. PROJECT PERSONNEL

The study team will be supervised by Anthony L. Bridges, CFE, Deputy Executive Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include the following individuals:

A.	Michelle Plumbtree	FCMAT Chief Management Analyst, Project Leader
B.	Michael Ammermon	FCMAT Consultant
C.	Michael Hill	FCMAT Consultant
D.	C.M. Brahmbhatt	FCMAT Consultant
E.	To Be Determined	FCMAT Consultant
F.	To Be Determined	FCMAT Consultant
G.	To Be Determined	FCMAT Consultant
H.	To Be Determined	FCMAT Consultant

Other equally qualified staff or consultants will be substituted in the event one of the above individuals is unable to participate in the study.

4. PROJECT COSTS

The cost for studies requested pursuant to E.C. 42127.8(d)(1) shall be:

A. $800.00 per day for each FCMAT staff member while on site, conducting fieldwork at other locations, presenting and preparing reports, or participating in meetings. The cost of independent consultants will be billed at the actual daily rate based on the provisions of Education Code section 84041.

The total projected cost for this study shall not exceed $125,000.

B.   All out-of-pocket expenses, including travel, meals and lodging.

C.   Any change to the scope will affect the estimate of total cost.

D.   In consideration of satisfactory performance of this agreement and the agreement entered into with the California Community College Chancellor's Office, the chancellor's office agrees to pay FCMAT's costs including contractors in accordance with the approved contract budget, Exhibit G, which is attached hereto and made a part of this agreement, and the project authorization for each particular investigation, review or audit.

E.   The total amount payable under this agreement shall not exceed the maximum amount of this agreement, specified on the face page of this agreement. Payment shall be made monthly in arrears upon receipt of an invoice, in triplicate, specifying this agreement number and the expenditures for the period covered, broken down by project authorization. Payment of all invoices will be subject to withholding of ten percent of the expenses billed pending satisfactory performance of this agreement. No payments shall be made without the written approval of the project monitor and the executive vice chancellor, or his/her designee. Approval is contingent upon the project monitor's approval of the progress the contractor has made within each respective invoicing period. Approval of invoices by the project monitor and the executive vice chancellor or his/her designee shall not be unreasonably withheld.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools - Administrative Agent.

5.   **<u>RESPONSIBILITIES OF THE COLLEGE</u>**

A.   The college will provide office and conference room space during on-site reviews.

B.   The college will provide the following if requested:

    1)   A map of the local area
    2)   Existing policies, regulations and prior reports addressing the study scope
    3)   Current or proposed organizational charts
    4)   Current and two (2) prior years' audit reports
    5)   Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the college and sent to FCMAT in electronic format.

7

6)   Documents should be provided in advance of field work; any delay in the receipt of the requested documents may affect the start date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, to which the district shall upload all requested documents.

C.   The district chancellor and the California Colleges Chancellor's Office will review a preliminary draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.

6.   <u>PROJECT SCHEDULE</u>

The following schedule outlines the planned completion dates for different phases of the study:

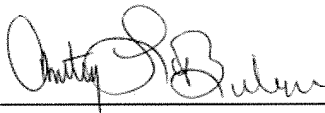|	
Orientation:	March 15, 2013
Staff Interviews:	April/May 2013
Exit Interviews:	To be determined
Preliminary Report Submitted	To be determined
Final Report Submitted	To be determined
Board Presentation	To be determined

7. CONTACT PERSON

Name of contact person: _____ Frederick Harris, Assistant Vice Chancellor

Telephone:____ (916) 325-9508 _____ FAX: (925) 226-4043 _____

E-mail: fharris@cccco.edu

_____
Thelma Scott-Skillman, Interim Chancellor   Date
City College of San Francisco

_____ March 26, 2013 _____
Anthony Bridges, CFE   Date
Deputy Executive Officer
Fiscal Crisis & Management Assistance Team
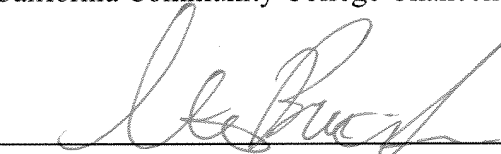

_____ 3 April 2013 _____
Frederick Harris   Date
Assistant Vice Chancellor & Project Monitor
California Community College Chancellor's Office

_____ 4/3/13 _____
Steve Bruckman   Date
Executive Vice Chancellor of Operations and General Counsel
California Community College Chancellor's Office