

# California Community Colleges Chancellor's Office

## Management Review of Lassen Community College District

May 6, 2009

Conducted pursuant to  
item 6870-107-0001 of the  
2007-08 State Budget Act,  
Education Code section  
84041 and applicable  
regulations adopted by the  
Board of Governors.





# Table of Contents

Foreword .....	iii
Executive Summary .....	I
Introduction .....	3
<i>Background</i> .....	3
<i>Study Guidelines</i> .....	6
<i>Study Team</i> .....	7
Findings and Recommendations .....	9
<i>Accounting and Financial Reporting</i> .....	9
<i>Grants, Scholarships and Use of Foundation Funds</i> .....	23
<i>Financial Assistance to Students</i> .....	31
<i>Assets and Use of State Resources</i> .....	41
<i>Human Resources Policies and Procedures</i> .....	47
Appendices .....	51

© 2009, Chancellors Office, California Community Colleges

Prepared by the Fiscal Crisis and Management Assistance Team (FCMAT)  
Joel D. Montero, Chief Executive Officer





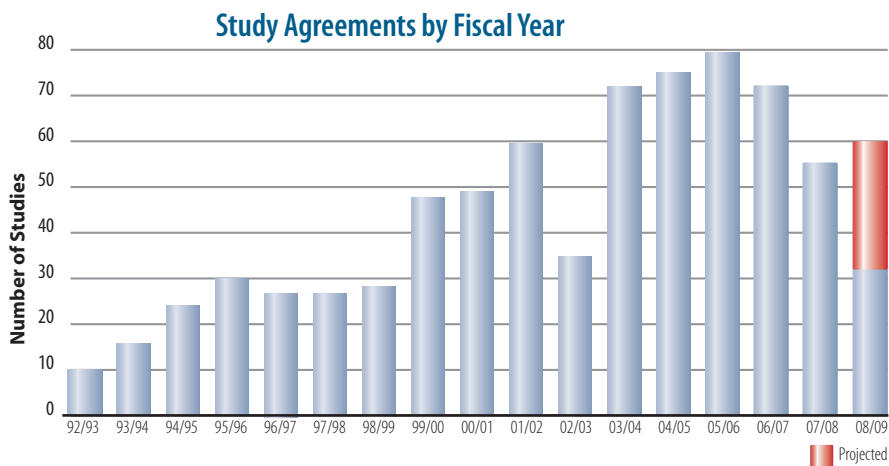
## Foreword - FCMAT Background

The Fiscal Crisis and Management Assistance Team (FCMAT) was created by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies (LEAs) in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that LEAs throughout California were adequately prepared to meet and sustain their financial obligations. AB 1200 is also a statewide plan for county offices of education and school districts to work together on a local level to improve fiscal procedures and accountability standards. The legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure these districts could meet their financial commitments on a multiyear basis. AB 2756 provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans. These include comprehensive assessments in five major operational areas and periodic reports that identify the district's progress on the improvement plans.

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 750 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of 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.



**Total Number of Studies..... 743**

**Total Number of Districts in CA..... 982**

- Management Assistance..... 705 (94.886%)
- Fiscal Crisis/Emergency ..... 38 (5.114%)

Note: Some districts had multiple studies.

- Districts (7) that have received emergency loans from the state.  
(Rev. 1/22/09)



## Executive Summary

The California Community College Chancellors Office (CCCCO) contracted with the Fiscal Crisis and Management Assistance Team (FCMAT) to provide investigative, review and auditing services pursuant to item 6870-107-0001 of the 2007-08 State Budget Act, Education Code section 84041 and applicable regulations adopted by the Board of Governors. The scope of this engagement was to review continuing concerns regarding the fiscal and operational stability of the Lassen Community College District.

The Board of Governors may request FCMAT to conduct an unsolicited investigation, review or audit of a community college district when a crisis presents an imminent threat to the fiscal integrity and security of that district as a result of fraud, misappropriation of funds, or other illegal fiscal practices. Lassen Community College District has undergone significant scrutiny in recent years and has experienced concerns about its fiscal stability, the resignation of its former president, ongoing monitoring by oversight agencies, and an unfavorable accreditation status.

After more than two years of monitoring the college district, the CCCCCO decertified a portion of the district's apportionment claims in 2006, which resulted in the district owing more than \$1.7 million to the state. In June 2005, the district's governing board and former president asked FCMAT to conduct an analysis of the district's fiscal health. The resulting report, issued in January 2006, found that the college had vacancies or interim appointments in key management positions, a lack of internal controls, and a poorly managed budget. The Lassen County Grand Jury also conducted an investigation of the district's operations after reviewing the findings reported by the CCCCCO and FCMAT. The grand jury's report cited potentially actionable issues, including outdated hiring activities, unfair labor practices, irregularities in apportionment claims, and transfers of general fund money to the Lassen Community College Foundation.

In 2008, FCMAT contracted with MGT of America to conduct a review of the college. The scope of the review covered transactions occurring between the 2002-03 and 2006-07 fiscal years. Specific work tasks were established regarding college accounting and financial reporting, use of grants and scholarships, disposition of fixed assets, and human resources policies and practices.

The review revealed that the college district continues to have weak internal controls in some of its core business functions, jeopardizing its ability to detect and prevent losses and deter improper activities.

Because of the lack of controls over athletic programs, the college inappropriately awarded scholarships and special privileges to some of its student athletes. This puts the college's athletic department at risk of sanctions, including suspension from intercollegiate competitions, which could result in student athletes transferring to other colleges. Sanctions and a resulting loss of student athletes would likely result in a lower number of full time equivalent students (FTES) and the related apportionment, affecting the district's fiscal stability.

A review of Federal Work Study (FWS) grants and Extended Opportunity Programs and Services (EOP&S) grants provided to students during fiscal years 2002-03 through 2006-07 revealed that many of the financial assistance files were missing or had incomplete documentation, resulting in questionable use of more than \$100,000 in FWS and EOP&S funds. In some cases, the college awarded funds to students who did not meet the eligibility criteria mandated by state and federal grant agreements. This jeopardizes the college's eligibility to participate in these programs, which could reduce financial assistance to students.

The college district's internal control weaknesses extend to the tracking and safeguarding of physical assets and the monitoring and payment of services performed by college staff. The college does not have an integrated system for monitoring the acquisition and disposition of assets, nor does it ensure that surplus inventory is tracked and safeguarded. In addition, the lack of controls over the foundation's payments for services provided by the college resulted in various college employees, including the former president, providing services to the foundation without reimbursement to the college.

The college district has numerous deficiencies in its procedures for collecting, maintaining and storing confidential personnel records. Many personnel files are missing key documents, including supporting documentation justifying employees' hiring and retention. The college also stored some files in unsecured locations accessible to employees outside of the human resources department.

The college will need to develop an independent method of reporting suspected fraud or other inappropriate activities to the governing board if management does not take action to investigate or correct reported issues.

The college district's current president, who was hired in August 2007, has been addressing many of the recommendations presented in prior reviews. As referenced in Appendix B, the district was recently commended by the grand jury, which noted that the college had made dramatic improvements in a short time, and it appeared probable that the college would regain full accreditation.

# Introduction

## *Background*

### *California Community Colleges*

The California Community College system (system) is the largest system of higher education in the nation, comprised of 72 districts, 110 colleges, and nearly 2.8 million students. State law authorizes a 17-member board of governors, appointed by California's governor, to oversee this system. The board of governors establishes policy and provides guidance to the California Community College Chancellors Office (CCCCO), which leads the system. The board of governors uses a shared governance approach led by a consultation council comprised of 18 representatives of institutional groups such as trustees, executive officers, students, administrators, business officers, faculty and staff unions, and others. This allows the community college system to have a voice and give input on policy recommendations. The chancellor reports policy recommendations to the system's board of governors. The CCCCCO also provides leadership, advocacy and support to the colleges.

State law requires community colleges to be accredited by the Accrediting Commission for Community and Junior Colleges (ACCJC), which is responsible for evaluating the community colleges' institutional mission and effectiveness, student learning programs and services, resources, and leadership and governance. Based on its review, the commission can make one of several recommendations, including accreditation, probation, warning, or termination of accreditation. Appendix A presents a complete list of the recommendation categories available to the ACCJC.

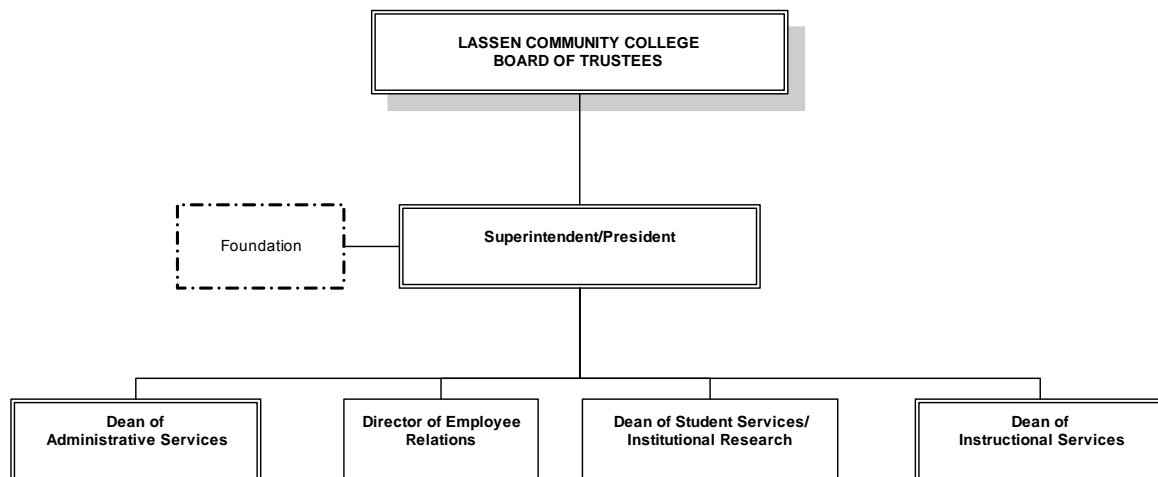
Community colleges award two-year degrees and certificates approved by the CCCCCO; provide prerequisite courses that enable students to transfer to four-year colleges and universities; and provide lifelong learning opportunities to individuals seeking additional training or job skills.

### *Lassen Community College District*

The Lassen Community College District is a public, two-year community college district located in Susanville, California, approximately 100 miles east of Redding. The college started in 1925 when the Lassen Union High School District established a junior college department and began offering classes on the high school campus. In 1965, the CCCCCO approved the formation of the college district and the community elected its first board of trustees. The board began planning for a new campus on Highway 139 in Susanville, which opened in 1971 and continues to serve the local community. The campus sits on 165 acres and has 39 buildings including classrooms, laboratories, offices, a library, a college union, computer labs, a gymnasium, a cafeteria, and outdoor recreation facilities.

The college is one of only 11 California community colleges that operate a student dormitory. The college offers an array of programs, degrees, and courses, and participates in various intercollegiate sports. It is a member of the Community College League of California's Commission on Athletics (COA) and is subject to the commission's rules for all of its intercollegiate sports. The college district also operates an off-campus ski slope in Goodrich Creek Valley, west of Susanville.

An elected board of trustees governs the college district, serving staggered terms of four years to represent various areas of Lassen County. The governing board oversees the college superintendent/president, who in turn directs the executive management team, which manages the college's educational and administrative services. This organizational structure is illustrated in the following chart.



Source: Lassen Community College District.

Major sources of the college district's 2007-08 revenue of \$16.8 million include state apportionment and tuition fees, property taxes, enrollment fees, and lottery revenues. Apportionment is based on the number of full time equivalent students (FTES).

The college district has undergone significant scrutiny in recent years and has experienced concerns about its fiscal stability, the resignation of its former president, ongoing monitoring by oversight agencies, and an unfavorable accreditation status. After more than two years of monitoring the college district, the CCCCO decertified the district's apportionment claims in 2006, which resulted in the district owing the state more than \$1.7 million.

In June 2005, the district's governing board and former president asked FCMAT to conduct an analysis of the district's fiscal health. The resulting report, issued in January 2006, found that the college had vacancies or interim appointments in key management positions, a lack of internal controls, and a poorly managed budget. The Lassen County Grand Jury also conducted an investigation of the district's operations after reviewing the

findings reported by the CCCCCO and FCMAT. The grand jury's report cited potentially actionable issues, including outdated hiring activities, unfair labor practices, irregularities in apportionment claims, and transfers of general fund money to the Lassen Community College Foundation.

To ensure compliance with recommendations from these oversight agencies and repayment of \$1.7 million to the state, the CCCCCO designated a special trustee to oversee and monitor the college district's progress. The special trustee was hired by the college district's board in August 2007 and works closely with the board and new president to address the findings and recommendations of the CCCCCO, FCMAT, and the ACCJC. In 2008, the grand jury noted that substantial improvement was achieved and presented seven commendations to the special trustee and president, as outlined in Appendix B.

Appendix D contains a more detailed historical summary of the issues the college has faced.

### *Lassen Community College Foundation*

The foundation began operating in 1977 as an independent nonprofit tax-exempt corporation. Although this original foundation later became inactive, the district's former president reactivated the foundation in 2002. The foundation provides financial support to students through partnerships with individuals, businesses, and organizations.

## Study Guidelines

The California Community College Chancellors Office (CCCCO) contracted with the Fiscal Crisis and Management Assistance Team (FCMAT) to provide investigative, review and auditing services pursuant to item 6870-107-0001 of the 2007-08 State Budget Act, Education Code section 84041 and applicable regulations adopted by the Board of Governors. The scope of this engagement was to review continuing concerns regarding the fiscal and operational stability of the Lassen Community College District. The CCCCCO approved \$282,000 in funding for the investigative review, auditing services and production of this report.

The review focused on findings in a 2006-07 grand jury report on the district, FCMAT's 2006 review of the district, the CCCCCO's Minimum Conditions Compliant and Review of Apportionment Claims Report, and allegations by college district staff. In June 2008, FCMAT contracted with MGT of America, Inc. to conduct a review of the following areas:

- System of accounting and financial reporting
- Policies and procedures for grants, scholarships, and use of funds
- Use of assets including inventory procedures, and conflict-of-interest policies and procedures related to acquisition and disposition of assets
- Human resources policies and practices

A detailed scope of work is contained in Appendix C.

The MGT audit team visited the district on numerous occasions during the summer and fall of 2008 to conduct interviews, collect data and review documents. This included a review of the activities of more than 30 individuals affiliated with the college or the foundation, as well as the creation of a Web site to solicit relevant information from staff and community members regarding current and past concerns. Allegations within the scope of the audit were investigated, while those outside the scope were reported in a letter from MGT to FCMAT and the CCCCCO.

The audit team conducted the audit in accordance with generally accepted government auditing standards promulgated by the Comptroller General of the United States. These standards pertain to the auditor's professional qualifications, the quality of the audit effort, and the characteristics of professional and meaningful audit reports.

In addition, these standards require the audit team to assess the auditee's internal controls in the areas that are being audited. This assessment does not involve a comprehensive internal controls review; instead, it is an assessment as to whether or not adequate controls are in place to provide assurance that the information related to the audit scope is reliable. Following these standards ensures the audit team's independence and objectivity as it relates to the analysis and the resulting findings and recommendations in this report.



This report is a result of these activities and is divided into the following sections:

- I. Accounting and Financial Reporting
- II. Grants, Scholarships and Use of Foundation Funds
- III. Financial Assistance to Students
- IV. Assets and Use of State Resources
- V. Human Resources Policies and Procedures
- VI. Appendices

CCCCO and FCMAT requested the district to provide a formal written response to the draft report. The district's current superintendent/president responded on behalf of the district by providing responses to each of the report's recommendations, indicating the actions that the district has taken or is planning to undertake to address the recommendations. These responses are included within the body of the report, but were not validated or substantiated by the audit team. In addition, the superintendent/president provided a general response describing the environment in which the district has operated during the past several years. That portion of the response is presented in Appendix E.

## *Study Team*

Jim Cerreta  
Fiscal Intervention Specialist  
FCMAT  
Bakersfield, CA

MGT of America, Inc.  
Sacramento, CA

Linus Li, CPA, CIA  
Principal

Celina Knippling, CPA  
Senior Consultant

Jessica Atkins  
Analyst

Faye Borton, CCSA  
Consultant

Suzanne Bradford  
Senior Consultant

Michael Beebe, Ph.D.  
Consultant

John Lotze  
Public Information Specialist  
FCMAT  
Bakersfield, CA

## Findings and Recommendations

### *Accounting and Financial Reporting*

#### *Revenues*

The district's major sources of revenue include state apportionment and tuition fees, property taxes, enrollment fees, and lottery revenues. The basis for apportionment is the calculation of full time equivalent students (FTES). The college district submits apportionment statements to the California Community College Chancellors Office (CCCCO) in February and June of each year. During fiscal years 2002-03 through 2006-07, the district received approximately \$17 to \$19 million per year in revenue from its various sources, as summarized in Table 1.

**Table 1: General Fund Net Assets**

	Fiscal Years					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Beginning net assets fund balance	\$7,437,488	\$7,528,432	\$8,328,077	\$8,066,610	\$7,663,971	\$8,012,964
Add: total revenues	17,286,449	19,173,260	19,092,305	16,898,219	17,536,325	16,844,546
Less: total expenditures	17,195,505	18,373,615	18,901,427	17,300,858	17,004,712	17,660,561
Net increase (decrease) in net assets	90,944	799,645	190,878	(402,639)	531,613	(816,015)
<b>Ending net assets fund balance</b>	<b>\$7,528,432</b>	<b>\$8,328,077</b>	<b>\$8,518,955</b>	<b>\$7,663,971</b>	<b>\$8,195,584</b>	<b>\$7,196,949</b>

Source: Lassen Community College District audited financial statements.

In addition to apportionment funding, the college district's auxiliary organization, the Lassen Community College Foundation (foundation), provides funding through scholarships and awarding of funds for special projects.

#### *Lassen Community College Foundation*

The foundation funds its activities through donations and gifts. During fiscal year 2003-04, the foundation received a donation of a hospital building. In March 2006, the foundation sold the building to another entity for \$390,000, with the foundation owner financing the sale. However, the current owners recently failed to pay the remaining balance of the loan, and the foundation is now foreclosing on the property. Nevertheless, this initial donation allowed the foundation to purchase the rights to operate a marina, campground and general store on the south shore of Eagle Lake, approximately 26 miles north of Susanville and the main college campus. This purchase resulted in a significant increase in funds for the foundation, as depicted in Table 2.

**Table 2: Foundation Revenues and Expenditures**

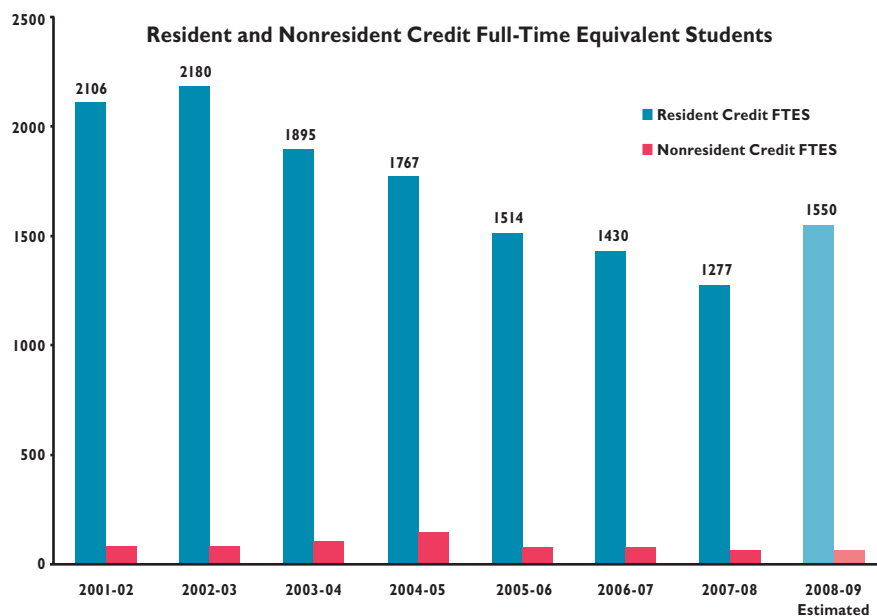
	Fiscal Years					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Beginning net assets fund balance	\$21,948	\$63,593	\$619,879	\$601,154	\$485,325	\$618,474
Add: total revenues	42,640	708,895	344,550	361,612	870,635	879,429
Less: total expenditures	995	152,609	363,275	477,441	737,486	825,681
	<b>\$672,222</b>					

Source: Foundation audited financial statements.

The foundation consists of five volunteer board members, two of whom are also members of the college district board. Prior to 2009, the college district had little control over monitoring the foundation's activities. However, as of December 2008, the CCCCO approved the college district's request to operate the foundation as an auxiliary organization, giving the district greater control over the foundation's operations. In addition, in January 2009 the foundation formed a for-profit corporation, Cougar Enterprises, to directly manage the Eagle Lake marina, campground and general store.

### Enrollment

As shown in Table 3, the district's enrollment declined from a high of nearly 2,200 FTES in 2002-03 to a low of 1,277 FTES in 2007-08. However, the district estimates that FTES will increase in 2008-09.

**Table 3: Full time equivalent student counts, 2001-02 through 2007-08, and Estimated FTES for 2008-09**

Source: Lassen Community College District.

The college's declining enrollment has resulted in lower revenue and is caused in part by the college's location and the difficulty of attracting students from outside the area.

### ***Internal Controls***

The college district is making progress implementing recommendations from previous reviews by the CCCCCO, FCMAT, and the Accrediting Commission for Community and Junior Colleges. However, continuing weaknesses in internal controls for some core business functions jeopardize the college district's ability to detect or prevent loss of assets and deter improper activities.

The college district governing board's responsibilities include establishing and approving policies that govern and guide the college district's operations and activities, such as establishing proper procedures for accounting of receipts and disbursement of funds.

However, the board's and the former president's failure to develop and implement policies and procedures for these activities has contributed to the college district's current \$1.7 million debt to the state. The absence of formal accounting procedures has also resulted in poor internal controls over fiscal operations and weakened the college district's fiscal stability, which has contributed to the college's history of problems with its accreditation status. The college's current probationary accreditation status may affect student enrollment and the public's perception of the college's stability and effectiveness.

### ***Business Office Accounting Policies and Procedures***

For several funds, including student and booster club funds, the college district has no policies regarding cash management or the use of funds. Because the college district has not defined appropriate uses for these funds, it is not able to determine whether they are used appropriately. In addition, many of the accounting and finance components of the college district's policies and procedures manual are outdated, as shown in Table 4.

***Table 4: Dates of latest updates to policies and procedures manual***

<b>Manual Section</b>	<b>Last Updated</b>
Bookstore Procedures	August 1995
Administrative Services	
• Summer Camps	April 1997
• Facilities	October 1992
• Maintenance	Calendar Year 1997
• Personnel and Payroll	Calendar Year 1996
• Purchasing	October 1997
• Transportation	September 1994

Source: Lassen Community College District policies and procedures.

Because the college district lacks updated policies and procedures, staff members have created their own informal daily processes, which have not been reviewed or adopted by the board or the college district's management. Numerous instances of insufficient accounting documentation or inappropriate use of funds are detailed later in this report

and highlight the college district's critical need to develop, maintain and update accounting policies.

Updating policies and procedures is especially significant because the college district's methods for recording accounting and financial data have changed. The college district manages student records several different ways: manually on hard copy work sheets; via data entered into Microsoft Excel; or in an electronic student database called Reflections. In addition, in 2007 the district changed to a fourth system called Datatel.

Similarly, the district first tracked financial aid scholarship transactions using QuickBooks, but later switched to the Datatel system. The Datatel system is new to the district and is capable of tracking accounting, financial, and student information records and transactions. The district has been implementing this integrated system incrementally since 2005-06. However, because it differs dramatically from prior nonintegrated systems, the district needs to create and maintain policies and procedures manuals to detail transactions and to document controls over access to the system.

During Datatel implementation, the district experienced considerable turnover in the dean of administrative services position, including several interim deans from June 2006 through November 2008. The dean plays a vital role in ensuring and maintaining the district's fiscal stability, and is responsible for managing the business office, information technology, purchasing and receiving, dormitory, bookstore, maintenance, cafeteria, and the Coppervale Ski Hill operation. The turnover in this position caused a void in leadership when the new college needed guidance implementing the Datatel system. Keeping the dean position filled is critical to ensuring that proper policies and procedures are in place and that staff are using best practices and sound internal controls for financial and accounting transactions. The district hired a permanent dean of administrative services in December 2008.

### **Recommendations**

*The college district should:*

1. Review and update its written policies and procedures for key processes, including accounting, human resources and financial aid, to ensure adequate guidance for staff and to protect assets from misuse or misappropriation.

### **Lassen Community College District Response**

The district has prepared a draft business procedures manual that is one aspect of the current reorganization of the business office and all related accounting and financial functions. The manual will specifically describe the procedures to be used by each employee handling cash or other accounting transactions, including the processes required to comply with Generally Accepted Accounting Principles (GAAP), improve and maintain appropriate internal accounting controls, and use of the Datatel financial system. Sample forms will be included. This process includes strengthening the internal controls and procedures for the financial aid and students services operations.

The District has designated the reorganization of the business office and human resources to the deans of administrative services and human resources. As part of that process, staffing and the responsibilities assigned to each employee will be reviewed and job descriptions will be updated. Training as needed will be provided.

In addition, district policies and administrative regulations will be reviewed and updated so that all pertinent information and responsibilities are clearly defined and the employees are informed of the policies and procedures that affect their positions.

### *Accounting and Financial Internal Controls*

The district has weak internal controls over a number of financial and accounting processes; as a result, it is unable to ensure that assets are safeguarded and that cash and funds are protected from misuse.

### **Student and Athletic Booster Clubs**

The district lacks adequate supporting documentation for some of its student and athletic booster club transactions, including deposits into these funds. Because of the lack of adequate documentation, the audit team could not determine the origin of funds deposited into these accounts to ensure that both the district and the Lassen Community College Foundation were making appropriate and allowable transfers or deposits.

As shown in Table 5, the audit team's review of 358 student and booster club expenditure and cash receipt transactions for fiscal years 2002-03 through 2006-07 revealed that 22% of the transactions lacked adequate support to determine whether they were for allowable activities. In addition, 6% of these transactions lacked approval signatures authorizing the activity. Because of the absence of policies and procedures for use of student and athletic booster-club funds, the audit team was unable to determine whether the remaining transactions were appropriate.

**Table 5: Student club and athletic booster club funds**

Transactions Selected for Testing	Transactions Lacking Adequate Support		Transactions Lacking Adequate Approval		Total Amount Tested
	Number	Percent	Number	Percent	
358	80	22	23	6	\$297,600

Source: Auditor-generated table.

The audit team's review of scholarship transactions was hampered by difficulties locating source documents. After some investigation, the audit team found that the financial aid office, rather than the business office, maintained supporting documentation for scholarship transactions. However, this information was incomplete: of the 116 files tested, nine files (8%) lacked supporting documentation for the scholarship checks.

In addition, two of the scholarships were inappropriate and violated the Community College League of California's Commission on Athletics' (COA's) regulations. Without adequate oversight by the board and procedures for its accounting activities, the district is unable to ensure that these funds are being used in accordance with state and federal requirements.

### **Athletic Coaches**

Athletic coaches are collecting payments for community service courses provided to raise funds for athletics programs funded by the booster club. These coaches collect the revenues for the classes and maintain custody over these assets. Because the district does not have policies and procedures for the use of allowable revenue for booster club accounts, there is the possibility of misuse or misappropriation of assets. In addition, rather than business office staff reconciling these transactions and entering them into the district's



accounting system, the executive assistant for the dean of instruction performs this task, processes purchases from the revenues for these classes, and reconciles revenues against expenditures. Thus a proper segregation of duties is lacking.

**Financial Aid Office Procedures for Scholarship Funds**

The financial aid office does not reconcile its outside scholarship receipts with awards applied to student accounts. The office processes checks and awards scholarships from outside entities such as the foundation, rotary clubs and private companies, and keeps copies of scholarship checks received from outside groups.

The scholarship checks are provided to the business office along with the identity of the student accounts to which the funds are to be applied. However, because the financial aid office tracks all total amounts received or awarded, the business office is unable to oversee the awarding of these scholarships to ensure that they are allowable and meet state and federal requirements. In addition, there is no evidence that the financial aid office and the business office regularly reconcile scholarships awarded and amounts applied to student accounts. As a result, the district inappropriately used approximately \$10,000 in general fund monies to pay for scholarships. The district did not reimburse the general fund until 2006 for scholarships awarded in 2003 and 2005.

**College District and Foundation Auditors**

The district has used the same financial auditor for more than five years. Best practices include changing financial auditors at least every five years to ensure that the auditor does not become complacent and overlook areas of weakness. The foundation has also used the same auditor for more than five years.

**Record Storage and Security**

The college district lacks appropriate record storage and security. During site visits and fieldwork, the audit team noted that the district's record archives are not protected from tampering or destruction. Records for the president's office as well as accounting, human resources and student files, are stored in an attic of one of the district's buildings. The district secured these records by limiting access to this location after receiving allegations from staff that some records had been shredded or removed. However, the cages that house the files in this location either did not have locks, or had locks that were cut or left open. In addition, documents containing sensitive student data were left unsecured outside of the cages.

The college also did not ensure that it had routinely secured the doors to the room where these items were stored. For example, during one site visit college staff opened the archive record storage door with a screwdriver after an unsuccessful search for the key. In interviews, a former employee also alleged to have observed personnel records being disposed of in trash bins without being shredded.

**Dormitory Management**

A review of cash handling for community service courses revealed that the dean of student services decreased the dorm costs so that one of the community service courses

offered by the athletic program would be profitable. The college district's board policies require that community service courses be self-supporting. In addition, the audit team found that the district provided free housing in the dormitory to its dean of student services and the former dean of instruction, and that this taxable benefit was not reported to the Internal Revenue Service as required by law. There is no evidence that dorm residency is part of these individuals' contracts and/or employee classifications.

### **Recommendations**

*The college district should:*

1. Ensure that it maintains appropriate documentation for its accounting, human resources, and financial aid records and transactions and protects them from misuse or destruction by storing them in a secure location accessible only to authorized staff. The district should ensure that its record retention and storage policies comply with best practices in the California Association of School Business Officials' (CASBO) Records Retention Manual, as well as Title 5 and California Education Code requirements.

#### **Lassen Community College District Response**

The District has strengthened the controls over document protection and retention. The file storage area has been rekeyed and is locked at all times. Control of the keys is limited to appropriate personnel.

Copies of the CASBO retention manual are available to the business office staff. Storage boxes will be clearly marked and organized in the storage area to ensure that permanent documents are segregated from disposable documents and that annual assessment of records retention and disposal is carefully monitored and managed in a timely manner.

The Student Services division is currently reviewing its storage processes and facilities making recommendations for file storage and security.

2. Continue efforts to complete implementation of the Datatel system, including developing appropriate policies, procedures, access controls, and work flow diagrams to guide users.

#### **Lassen Community College District Response**

As previously described, the procedures manual that is in the draft stage includes procedures, directions, and sample forms for employees who work with accounting and financial activities to follow. Employees continue to receive training to use the Datatel System. The district's information technology staff has taken a lead role to ensure that the system is used properly. Outside consultants are retained to provide assistance in report writing and training as needed. In addition, the business office staff is gaining knowledge and implementing new procedures to better manage and use Datatel effectively.

A Datatel access authorization form was developed through the governance process in spring 2009, and is being readied for implementation in conjunction with an acceptable use policy similarly developed. The form will be retroactively applied to all Datatel users to create a clear audit trail for access grants. The technical aspects of access control have already been documented in a procedure for information technology department use developed in the fall of 2008 and stored on a shared server.

3. Review dormitory administration processes and controls, and refrain from providing special benefits.

**Lassen Community College District Response**

Dormitory management was restructured in summer 2008, providing full-time staff to manage the dorm facility. All of the issues surrounding the findings related to the dormitory operations have been corrected. No one receives any special benefits. All of the accounting for the dormitory is overseen by the Business Office in addition to the Dean of Student Services.

4. Amend the W-2 forms for the dean of instruction and the dean of student services to report the taxable benefits received.

**Lassen Community College District Response**

Revision of the prior year W-2's for the employees in question is being reviewed by legal counsel and the appropriate action will be taken to address this matter.

*The governing board should:*

5. Consider hiring or contracting with an internal auditor to investigate reported activities, assess internal controls, and test for compliance with applicable laws and regulations, such as those identified in this report. Best practices suggest that the internal auditor report to a level within the organization that allows the internal audit activity to fulfill its responsibilities and be free of interference from determining scope of work, performing the work, and communicating the results.

**Lassen Community College District Response**

The district's president/superintendent has discussed this recommendation with the board of trustees and it has been determined that an internal audit function would be valuable but would be more effective if structured within the standards for best practices according to the Accrediting Commission for Community and Junior Colleges (ACCJC), and after the analysis of the current operations are completed. The district is currently under the guidance of a state trustee who brought in an independent CPA to assist with the analysis of the business operations. Internal accounting controls are being reviewed and evaluated. Improvements will be implemented as part of the business office and human

resources reorganization. The business office reorganization will include the necessary steps to internally review and oversee other business and accounting functions within the college.

### ***Cash Management at Coppervale Ski Hill***

The college district operates an off-campus ski slope called Coppervale Ski Hill in Goodrich Creek Valley, west of Susanville. This facility is maintained for classes and community use.

The district has inadequate practices for collecting and recording cash receipts for Coppervale Ski Hill. The audit team was unable to observe cash collections and management because the ski hill was not open during fieldwork. However, interviews and reviews of documents indicated that cash collection starts with the Coppervale Ski Hill operator, who sells prenumbered lift tickets, records sales manually in hard copy log, then submits the cash and log books to the business office. Business office staff verify receipt of the cash, reconcile the cash collections to the log worksheets, deposit the cash, and record the deposits in the financial system.

The audit team identified the following internal control weaknesses:

- Log sheets were incomplete, had crossed-out entries, or handwritten changes. The changes were not annotated to show who made the changes or the reasons for the revisions.
- Tickets were sold out of sequence, and gaps in the ticket sequence were not tracked or reconciled.
- Log worksheet amounts did not match amounts on the business office's reconciliation sheets and could not be tracked to the general ledger deposits.

The deficiencies in cash management at this site are of particular concern because cash has been stolen on at least one occasion. In one instance, the audit team found handwritten notations that cash had been stolen prior to delivery to the business office.

Cash management controls would protect cash from being misused or misappropriated and enable the district to recognize all revenues due. Sound cash management controls include ensuring that at least two employees count cash at the same time; implementing proper procedures for refunding tickets; and ensuring that staff use sequential tickets and make daily deposits.

### ***Recommendations***

*The college district should:*

1. Implement cash management controls for Coppervale Ski Hill.

### ***Lassen Community College District Response***

The Dean of Administrative Services will review cash management at Coppervale Ski Hill in conjunction with pending non-instructional program reviews for both Coppervale and Administrative Services, as well as Business Office reorganization, and identify appropriate solutions.

### Accounts Receivable Records

The district has more than \$480,000 in outstanding receivables in its accounting records, which is excessive. Approximately 43% of these receivables occurred from 2002-03 to 2006-07. However, some of these receivables are more than 20 years old. Table 3 identifies the receivables by type (tuition, dormitory, cafeteria, or bookstore fees) and the fiscal years in which the receivables originated.

**Table 6: Outstanding receivables by year of origin and type**

Fiscal Years	Tuition and Enrollment	Dormitory Fees	Cafeteria Fees (Meals)	Bookstore Charges	Totals
1986-87 through 1991-92	\$22,750	\$10,996	\$0	\$0	\$33,746
1992-93 through 1995-96	\$86,509	\$25,406	\$0	\$0	\$111,915
1996-97 through 2000-01	\$84,139	\$42,467	\$310	\$0	\$126,916
2002-03 through 2006-07	\$150,927	\$32,919	\$22,456	\$1,751	\$208,054
<b>Totals</b>	<b>\$344,326</b>	<b>\$111,788</b>	<b>\$22,766</b>	<b>\$1,751</b>	<b>\$480,631</b>

Source: Data provided by Lassen Community College District.

The district submits its receivables to the Chancellor's Office Tax Offset Program (COTOP), which helps collect funds owed by former students by having California's Franchise Tax Board deduct state tax refunds and lottery winnings from these individuals. The district started participating in this program in 2001, when it submitted \$117,177 in receivables. As of September 2008, it has submitted a total of \$452,531 and the program has helped collect approximately \$35,000. However, after deducting the 25% collection fee retained by COTOP, the district has collected approximately 6% of its total outstanding receivables. In addition, because many of the receivables were kept on the books for an unusually long time, there is some question regarding the extent to which they are still valid.

It is possible that some of the receivables represent unallowable privileges to student athletes, which are discussed in detail later in this report. This may have contributed to the dormitory, bookstore, and cafeteria's deficit balances and resulting need to borrow from the district's general fund.

### Recommendations

*The college district should:*

1. Analyze its accounts receivable to determine the likelihood of collecting outstanding amounts and to ensure that it is not overstating assets. The district should write-off as bad debts those amounts that have little or no likelihood of being collected, and it should adjust its balances for any amounts that are determined to be erroneous.

### Lassen Community College District Response

The Dean of Administrative Services and the Business Office staff along with the CPA consultant currently assisting with financial and budget issues will examine the aged

accounts receivable balances to determine which if any of the balances are collectible. A process will be developed to write off the uncollectible balances under the direction of and in conjunction with the District's independent audit firm prior to the close of the 2008-09 fiscal year.

2. Develop a collection process internally to ensure that student receivables are not used inappropriately and to maximize timely collection.

**Lassen Community College District Response**

During 2007-08 the college instituted a review of outstanding debt. On the basis of that review the college completely overhauled the processes and procedures for students enrolling without paying all of their fees, room and board. It reviewed the results during the fall of 2008 and made further modifications for the Spring term of 2009. Currently the college staff is reviewing the Spring 09 modifications to enhance the Fee Payment Contract process for Fall 2009. The reviews of debt limits are being translated into discussions of debt collection, billing and aggressive collection techniques for students while they are still enrolled. A manager was assigned in 2008-09 to work closely with students living in the campus dorms and on the campus meal plan. Regular collection attempts and better coordination with financial aid have lead to less debt for the 08-09 academic years for students who choose to live in the dorms.

As part of the business office reorganization process, the Dean of Administrative Services will establish internal controls and proper business procedures to record, track and collect all accounts receivables, including student funds. During each fiscal year the receivable balances will be reconciled and as part of the year-end closing procedures, all accruals will be reviewed for validity.





## *Grants, Scholarships and Use of Foundation Funds*

The college district's former president reactivated Lassen Community College Foundation in 2002 to use funds in its accounts from prior years and to raise additional funds to benefit students through scholarships and other activities. During the former president's tenure, the foundation received donated property from Banner Hospital, which was used to finance the foundation's purchase of rights to manage Eagle Lake Recreation Area through a partnership with the U.S. Forest Service. This activity resulted in the foundation increasing its net assets from \$21,948 in July 2002 to more than \$618,000 by June 2007.

The foundation has been profitable for the college district. However, because of a lack of internal controls over its management, the former college president had the authority to authorize scholarships, deposit and sign foundation checks, and directly influence the accounting of the foundation's assets. This contributed to the former president's ability to accept and use funds improperly, thus jeopardizing the public's trust.

The foundation now contracts with a local certified public accounting (CPA) firm to maintain its accounting records, resulting in stronger controls over the accounting functions. The foundation also uses a separate CPA firm to conduct an independent audit of its financial statements. However, despite these changes, the foundation continues to have weak internal controls that raise concerns about the ability to carry out its mission.

### *Marina and Campground Cash Controls*

The foundation has poor cash handling processes for Eagle Lake marina and campground. The Eagle Lake Recreation Area is managed by the foundation under a special use permit from the U.S. Forest Service and has generated average revenues of more than \$450,000 annually since the 2003-04 fiscal year. The facility includes a full-service marina, a boat dock, a store, five campgrounds, boat launch areas, a swimming area, 5.2 miles of paved hiking and biking trails, boat storage, and day use areas. The foundation began operating the marina in 2004, collecting money from the sale of food, fishing licenses and dock fees. In 2006, the foundation assumed authority over campground operations. The foundation collects money using three methods: directly through the store; indirectly through a third-party reservation system for the campground; and manually from lockboxes at the campground. The foundation uses revenue from the marina and campground for scholarships and other purposes that benefit students.

#### *Eagle Lake Marina Store*

The marina uses a cash register to collect fees. The audit team randomly sampled 30 cash deposits totaling \$39,820 from fiscal years 2003-04 through 2006-07 and compared the daily sales reports to bank statements and the foundation's general ledger. Ten cash transactions did not reconcile to the daily sales report; two transactions did not agree with information on the sales report and the deposit form; and three transactions did not agree with information on the sales report, deposit form and general ledger.

### *Eagle Lake Campground*

The foundation collects campground fees manually and through a third party provider of reservations and collection services. For manual collections, customers place their money in an envelope and write on the envelope their camp site number, the number of days they are staying, and the total amount paid, then place the envelope in a lockbox at the campground. The campground manager collects the deposits, tabulates this information on a daily receipt tally sheet, completes the bank deposit sheets, and reports monthly revenue to the forest service as required by the lease.

The audit team was unable to test transactions for the 2006 and 2007 operating seasons because the campground maintained insufficient documentation. Because recordkeeping improved, the audit team was able to review cash receipts for 2008. However, the foundation continues to have poor internal controls over the handling and management of these fees. In particular, bank deposit amounts do not match the information recorded by customers on the envelopes.

There may be a lack of segregation of duties among staff and a lack of management oversight of the cash collections. The lack of oversight may be contributing to the foundation's late submissions of monthly forest service reports, which places the foundation at risk of losing its lease to operate the marina and campground.

The marina and campground are now managed by Lassen Cougar Enterprises, Inc. (Cougar Enterprises), the for-profit entity operated by the foundation. Although this new management structure minimizes the foundation's liability for the marina and campground, it has not affected the organization's handling of cash receipts or monthly reporting to the forest service.

### ***Recommendations***

*The foundation should:*

1. Ensure that its management and oversight of Cougar Enterprises includes a process to ensure that cash is handled properly and reports are submitted to the forest service on time.

### **Lassen Community College District Response**

Cougar Enterprises, the for-profit entity created by the Foundation in Fall 2008, has a new management team in place that has created formal operating procedures for collection and money handling. The purpose of the document is to provide the campground hosts and Eagle Lake Campgrounds personnel conducting fee collections and all other money handling assignments with a detailed procedural guide. By following these detailed procedures, all personnel will accurately account for and properly document all funds received in a consistent manner, while minimizing the exposure to theft.

In addition, the marina uses point of sale software that tracks all transactions and backs up nightly to the database. Under the new Cougar Enterprises management, the tracking features of the software are being better utilized through formal procedures. At the end of

each business day a printout of all transactions is reconciled against revenues, after which deposits are made to the bank and the bank receipt and transactions record is delivered to the CPA for the generation of monthly reports. Each month, Cougar management gives updates on all monthly reporting to the foundation board. These monthly updates also include any status with the forest service.

These formal procedures should eliminate any issues regarding the handling of cash for the campgrounds. The foundation director has established a standing agenda item for updates from Cougar Enterprises, which will allow for additional board oversight. A new refund policy and procedure will be implemented this season.

Meetings with the foundation staff and any others who may be involved in the collection of cash through Cougar Enterprises will be scheduled with the district's business office staff and dean of administrative services prior to the summer season to review the procedures that are in place and work with staff to provide the necessary training to ensure compliance with good business practices.

### *Scholarship Award Guidelines*

The foundation does not have written guidelines or board policies establishing criteria for awarding its standard \$2,000 scholarship, or for scholarships that deviate from foundation standard practice, such as dorm scholarships. As a result, awards have been varied and inconsistent, creating the risk of legal claims, a public perception of discrimination or preferential treatment, and criticism for showing favoritism. Although the foundation is working to improve its policies and procedures, it has not yet completed these changes.

Foundation board members acknowledged that the procedure for awarding scholarships is not documented, but described it as follows:

- Prospective applicants mail applications to the foundation.
- Two members of the foundation board review the applications and determine the amount of the award, if any, up to \$2,000 per student.
- The two reviewing members notify the foundation board of the scholarships at the next regularly scheduled foundation board meeting.
- The foundation board notifies the college's financial aid office via e-mail regarding the awarded scholarships.
- The foundation board mails award letters and certificates to scholarship recipients.
- The financial aid office determines the amount of scholarship funds to be applied to the students' awards. It uses qualified financial assistance (grants or other scholarships) before using the foundation scholarship. To the extent that the student's tuition and fees are covered through other means, the college will not draw on foundation scholarship awards.
- The financial aid office invoices the foundation for amounts applied to students' accounts.

The foundation does not consistently follow this informal process. For example, in 2007-08, the foundation awarded two special dorm scholarships of \$12,120 each, which is \$10,120 more than the standard foundation scholarship of \$2,000. Foundation board members stated that the awards were made to ensure that the students would not have to commute from an excessive distance to attend classes. However, the audit team's review of other dorm scholarships in prior years found that no other students received awards of this size. The next highest amount awarded was \$2,700, which also exceeded the standard amount.

Board members reported that they have never turned down completed applications for books or tuition scholarships, although they have denied scholarships when the application was incomplete.

### *Recommendation*

*The foundation should:*

1. Ensure that it documents the criteria for scholarship awards and follows a uniform policy to avoid allegations of inequitable scholarship awards.

**Lassen Community College District Response**

The foundation board adopted Policy 09-P01 at its regular meeting on March 17, 2009. This policy sets forth the criteria to award, distribute and account for scholarships. The policy clearly states how an application will be evaluated and applicants awarded. It sets a formal process that will establish a transparent working relationship between the foundation director, foundation board and all applicable offices, and also provides clear expectations for student recipients.

Beginning in 2008-09, the financial aid office is billing the foundation each semester for scholarships awarded to enrolled students. The new foundation director assists the foundation in tracking student scholars, ensuring that the invoices to the foundation for scholarships given to enrolled students will be current term by term.

It is the goal and intent of the board of trustees and the administration to establish and follow fair, equitable and consistent procedures for the awarding of all scholarships and to enforce high standards by the foundation as well as any and all agencies awarding scholarships to LCCD students.

***Decision Making***

Foundation board members stated that in prior years the foundation ceded control for authorizing scholarships to the former college president. However, this action is not recorded in any board minutes. Board members stated that during calendar years 2002 through 2004 they were not aware of the total dollar amount or beneficiaries of scholarships because the former president did not keep them informed of all the awards he made.

This occurred in part because the president's office provided all scholarship accounting for the foundation, making the foundation dependent on the college staff and former president for information related to its finances and activities. This left the foundation with no way to document the amount or nature of the scholarships or to ensure that the former president was awarding scholarships in compliance with state and federal regulations.

Foundation board members indicated that they revoked the former president's authority to grant scholarships after the grand jury's investigation, though they acknowledged that this revocation was not recorded in the board's meeting minutes. The audit team is concerned that the former president had authority and control over foundation accounting, authorization of scholarships, and the amount of information to which foundation members had access.

The foundation board's verbal authorization and later revocation of authority for awarding scholarships, and its failure to document the authorization in the board minutes, raises concerns regarding what other type of decisions may have been verbally discussed or authorized but never recorded in board minutes. Documenting decisions and governance is a basic fiduciary duty of governing boards; a lack of complete documentation leaves the board open to the accusation that it is not being open and transparent in its operations and decisions.

**Recommendation**

*The foundation should:*

1. Ensure that it operates openly and transparently by documenting all decisions, including the delegation or revocation of authority to act on its behalf.

**Lassen Community College District Response**

The new foundation director is working closely with the board to ensure that it operates openly and transparently. The board agenda format has been amended to clearly state which items will require action and which ones are informational only, making it easier to accurately record transactions in the meeting minutes.

2. Consider posting its board minutes online for greater transparency and to improve public opinion about its operations.

**Lassen Community College District Response**

The foundation director is updating the foundation's Web site to make it more easily accessible from the college's home page, and to provide links to the board agenda and minutes.

### ***Donation Receipt and Use Policies***

FCMAT's January 2006 review of the college district found that the foundation received a \$17,000 donation from Sierra Pacific Industries during fiscal year 2002-03. However, the funds were generated from the sale of equipment owned by the college district and should have been deposited into college district accounts. FCMAT recommended that the foundation refund this money to the college district, but the foundation did not do so until September 2008.

FCMAT's 2006 review also found that the foundation accepted a donation of \$21,000 during fiscal year 2002-03. At the time of that review, neither the former president nor the foundation could provide supporting documentation for this donation. FCMAT recommended that the foundation ensure that future transactions and donations be supported by written documentation. The audit team reviewed this transaction and found that the check was originally made payable to Lassen College Wrestling, but was subsequently endorsed by the college's former wrestling coach to be made payable to the foundation. The college district should have deposited this check directly into its account rather than signing it over to the foundation.

The college district does not have policies or procedures regarding the use of funds received for the athletic booster club or athletic camps. Similarly, the foundation does not have documented policies and procedures pertaining to donations and the use of donated funds. This lack of structure creates confusion regarding whether donations and use of athletic program funds are allowable activities.

### ***Recommendations***

*The foundation should:*

1. Develop policies to define acceptable donations, and work closely with the college district to ensure that these donations do not violate state laws and regulations or college policies.

### ***Lassen Community College District Response***

The foundation director is currently working towards the adoption of a foundation policy for donations. This process has required the director to work closely with the college business office and the CPA for the foundation to ensure that particular donations are allowable and that all donations are accounted for properly and used in accordance with the donors' wishes.

The college and the foundation are exploring the possibility of athletic booster and club accounts being transferred to fall under the financial control of the foundation. The practice is successful at many colleges as it keeps the financial control in one centralized location. This would help eliminate any questions of accurate use of monies coming into the respective accounts.

*The college district should:*

2. Develop policies defining acceptable donations, particularly those involving its athletic programs.

**Lassen Community College District Response**

Board policies regarding the acceptance of donations and the appropriateness and fairness of donations will be reviewed and updated to conform to the requirements and standards of other public agencies, especially community colleges. Standards for athletes and athletic programs will be reviewed with coaches by the appropriate district administrators to ensure that all parties understand the policies, procedures and expected behavior.

The college and the foundation are exploring the possibility of athletic booster and club accounts being transferred to fall under the financial control of the foundation. The practice is successful at many colleges as it keeps the financial control in one centralized location. This would help eliminate any questions of accurate use of monies coming into the respective accounts.



## *Financial Assistance to Students*

The college district's governing board is responsible for establishing policies to govern college operations, including procedures to ensure proper accounting of receipts and disbursements. Funds received from various sources are used to provide financial assistance to students in the form of scholarships, grants, fee waivers and reimbursements. The college district's financial aid office determines each student's eligibility, identifies the amount to be awarded, and authorizes the business office to disburse the funds, either by applying the amount to the student's account or issuing a check directly to the student. However, the governing board and the former college president failed to ensure that this process was properly developed, documented, and implemented, resulting in weakened internal controls over the accounting of financial assistance to students.

## *Scholarships and Incentives for Student Athletes*

The physical education program, which includes intercollegiate athletic programs, generates the second highest revenue for the college district. The college district inappropriately awarded scholarships and special privileges to some of its student athletes. The athletic department is at risk of sanctions, including suspension from participation in intercollegiate competitions, which could result in student athletes transferring to other colleges. Because student athletes are required to enroll in classes totaling at least 12 semester units, their departure would certainly result in lower full time equivalent students (FTES) apportionment, which could diminish the college district's fiscal stability.

The college district's athletic programs are governed by the California Community College Commission on Athletics (COA), which is responsible for establishing rules and regulations for administering student athletic activities at member colleges. According to college district staff, between 1991 and 2006 the National Junior College Athletic Association (NJCAA) oversaw the men's wrestling program, which is now also governed by the COA.

The college district is a member of the Golden Valley Conference within the COA and is therefore required to adhere to the COA's rules and regulations. The COA's constitution generally forbids colleges from giving special privileges or consideration to student athletes; student athletes may only receive services that are readily available to all eligible students. In addition, under COA guidelines, colleges cannot offer recruitment incentives to athletes. Special incentives include cash or personal loans, free use of an automobile, free or reduced costs for housing and telephone privileges, and athletic grants or scholarships. Student athletes may apply for financial aid through normal channels; however, colleges are prohibited from awarding scholarships or grants to athletes based on athletic skill or participation.

Unlike the COA, the NJCAA allows athletic scholarships; however, it requires colleges to submit scholarship certifications and obtain special permission to provide athletic-related financial aid. The U.S. Department of Education (DOE) also requires colleges to submit

annual reports on athletic participation, including staffing, revenues, expenditures, and the number of athletic-related scholarships.

From the fiscal years 2002-03 through the 2006-07, the college district reported to the CDE that it had not awarded any athletic scholarships, and did not report any scholarships to the NJCAA. However, the audit team concluded that the college district did provide special privileges and scholarships to student athletes during these years.

From fiscal year 2002-03 through 2006-07, the college district provided approximately \$14,000 in dormitory scholarships to student athletes, and information provided to the audit team indicates that the college district did not provide any dormitory scholarships to other students during this time. These scholarship were not allowable. In addition, the college district's international student club provided \$800 in awards to enrolled athletes during fiscal year 2004-05.

From fiscal year 2002-03 through 2006-07, the Lassen Community College Foundation awarded more than \$22,000 in scholarship funds to the college's athletes. More than \$18,000 was awarded in fiscal year 2002-03. As discussed earlier, the former college president made all decisions regarding foundation scholarship awards at this time. The college district paid student fees using its general fund revenues, then received reimbursement from the foundation. Because the foundation is not subject to the COA or NJCAA rules, it is possible that these scholarships were allowable. However, because the college district controlled who received these scholarships and because they were limited to athletes, the college district's actions could be a violation of COA regulations.

Also during fiscal years 2002-03 through 2006-07, the college district offered student athletes special privileges through the Lassen work study (LWS) program, formally known as the Lassen Community College Student Work Incentive Program. This is a separate program from the Federal Work Study (FWS) program discussed below. The LWS program creates jobs for students and applies student earnings to their tuition or fees. The college district funds the LWS program solely from its general fund. Athletic coaches used this program to offer potential student athletes incentives to enroll in the college. Current and former college district staff indicated that student athletes' use of the LWS program was part of the athletic coaches' recruiting strategy for all programs. This would not constitute a special privilege if it were available to all students. However, 88% of the awards were made to student athletes and other students who worked in the athletic department, as shown in Table 7.

**Table 7: Lassen work study program participant data**

	Fiscal Years										Totals	Percent
	2002-03		2003-04		2004-05		2005-06		2006-07			
	Fall	Spring	Fall	Spring	Fall	Spring	Fall	Spring	Fall	Spring		
Number of LWS participants identified as student athletes	25	26	26	21	27	25	17	15	3	5	190	73.6%
Other LWS participants working in athletic department	4	12	8	2	5	3	2	0	2	0	38	14.7%
Total participants reviewed that were affiliated with the athletic program	29	38	34	23	32	28	19	15	5	5	228	88.4%
LWS participants working in agriculture department	6	4	0	1	0	0	1	1	0	0	13	5.0%
Other LWS participants (maintenance/dormitory)	1	0	2	2	5	4	2	0	0	1	17	6.6%
Total participants reviewed	36	42	36	26	37	32	22	16	5	6	258	100.0%

Source: Auditor-generated table.

The college district's procedures for awarding work study privileges favored student athletes over other applicants. For example, the college district changed the application deadline for the program to June 30, which provided coaches with an advantage when they recruited students before June 30 for enrollment in the fall. Because LWS positions were typically available on a first-come, first-served basis, newly recruited student athletes were more likely to be notified of the deadline before other students. In addition, the coaches were informed that all of their applicants would get jobs if they enrolled in the LWS program. This benefited student athletes, many of whom had preregistered with the college district. Further, although the college district's criteria at one time stated that international students were ineligible for these funds, the policy subsequently changed and the financial aid office awarded several scholarships to international students, all of whom were athletes.

The athletic coaches also supervised many of the jobs in the LWS program. In 2002, for example, 95% of the supervisors in the LWS program were athletic coaches. The college district's athletes received a total of more than \$163,000 in LWS funding during fiscal years 2002-03 through 2006-07.

The college district has also waived collection of accounts receivable as a means to provide further benefits to student athletes. The waivers are de facto grants to these students and thus not allowed under COA regulations. Of the \$208,054 in outstanding accounts receivable generated in fiscal years 2002-03 through 2006-07, more than \$160,000 were for student athletes.

These questionable activities resulting in benefits to athletes have been caused by inadequate processes and procedures for awarding financial assistance to students and by the governing board's inadequate supervision and monitoring of the former president's activities. The former president and the athletic coaches had exclusive authority in past

years to carry out school management and athletic program activities, with little oversight or monitoring by the board.

The current president and the special trustee are working to reestablish a more interactive working relationship with the board and to implement athletic program policies and procedures that meet the COA standards. According to the college district's athletic director, there are plans to report potential violations to the COA and the NJCAA upon completion of this audit. The COA has requested a copy of this report and will determine any additional actions needed, such as further investigations and/or penalties against the college for violating its bylaws.

The college district's student athletics handbook specifically states that students must adhere to the COA's and NJCAA's requirements, as well as other relevant intercollegiate rules and guidelines. However, the handbook was not always provided to student athletes. As a result, many student athletes, particularly international students recruited by the coaches, may be unaware of the COA regulations and thus violate them unknowingly. Requiring student athletes to acknowledge that they understand the COA regulations would provide the athletic program with another level of control over the award of benefits and would make the students accountable to the COA's regulations.

### ***Recommendations***

*The college district should:*

1. Ensure that the athletic director provides clear guidance to the financial aid and business office staff, and directs athletic coaches regarding COA regulations, including unallowable incentives or awards for athletes.

### **Lassen Community College District Response**

The college has implemented training for top administrators on the California Community College Commission on Athletics (COA) rules and regulations. The dean of student services attended a statewide conference of the COA during the spring of 2007. Additional training is planned for both the admissions and records staff and the financial aid staff in spring 2009. It is believed that training of the day-to-day staff in these offices will bring to the attention of management early in the process any possible violations of COA rules.

2. Ensure that students are aware of the COA and other governing authorities by requiring student athletes to acknowledge, through the use of a signature form, their responsibility for adhering to the COA's regulations and other relevant intercollegiate rules and regulations.

**Lassen Community College District Response**

The district will develop a signature form and provide copies of the district's student athletics handbook to student athletes to ensure that vigilance over appropriate practices surrounding athletes extends to the student athletes themselves.

3. Ensure that athletic information is accurately reported to the DOE.

**Lassen Community College District Response**

It is expected that the above-mentioned controls and oversight will ensure that the district is in fact in compliance with COA regulations, and thus reporting accurately to DOE.

A clerk in the admissions and records office is being shared part-time with the athletic director effective spring 2009 to help provide increased oversight over and support for compliance with COA and federal regulations.

### *Federal Work Study (FWS) and Extended Opportunity Programs and Services (EOP&S) Grants*

A review of Federal Work Study (FWS) and Extended Opportunity Programs and Services (EOP&S) grants to students during fiscal years 2002-03 through 2006-07 revealed that many of the financial assistance files were missing or had incomplete documentation. In addition, the district awarded funds to students who did not meet the eligibility criteria mandated by state and federal grant agreements. This jeopardizes the district's eligibility to participate in these programs, which could result in reduced financial assistance to students.

#### *Federal Work Study*

To be eligible to participate in the FWS program, students must first qualify for financial assistance through the application for federal student aid. Eligible students interview for federally funded work study jobs, either with the college or with an approved community service organization. The college district's financial aid office coordinates and manages the FWS and EOP&S programs. Tasks include reviewing all FWS time sheets, entering time sheets into the financial aid recordkeeping system, submitting time sheets to the business office for payroll processing, and maintaining all FWS files. The financial aid office maintains two sets of files for each student in the program: the primary file with the student's financial aid records and documentation of eligibility; and a secondary file containing assigned work information and payroll data.

As discussed earlier, the college district lacks proper security and access restriction for many of its records, including student files. Prior year student records, which include sensitive information such as date of birth and social security number, are kept in unlocked file cabinets in a custodial workers' break room. The break room is locked at night, but the door is open during working hours.

In addition, a number of student files are not complete, indicating that the college district's review process for the FWS program may be insufficient. The audit team reviewed 77 files for compliance with FWS requirements, looking at each student's eligibility for the FWS program, school transcripts, any notices of probation or suspension, award limits, application status, and time sheets. However, the team was unable to locate many of the key documents required for this review. As shown in Table 8, half of the files selected for review were not in the college district's records and could not be located by staff. In addition, 14 of the 77 files tested had missing or inaccurate information on time sheets or forms, and 3 files indicated that the college district paid a total of \$3,573 to students who did not meet minimum FWS eligibility requirements. This puts at risk these students' eligibility for FWS and any future federal assistance, and may result in reduced future allocations of FWS funds.

**Table 8: Student files reviewed for FWS awards, 2002-03 through 2006-07**

Fiscal Year	Files					Files with Missing or Inaccurate Time Sheets or Forms	Files Tested that Did Not Meet FWS Requirements	FWS Funds Paid to Ineligible Students
	Selected for Testing	Missing		Tested				
2002-03	33	22	67%	11	33%	4	3	\$3,573
2003-04	31	17	55	14	45	5	0	\$0
2004-05	34	18	53	16	47	1	0	\$0
2005-06	34	19	56	15	44	2	0	\$0
2006-07	21	0	0	21	100	2	0	\$0
Totals	153	76	50%	77	50%	14	3	\$3,573

Source: Auditor-generated table.

Code of Federal Regulations (CFR) 34 673.5(d) requires the college district to reduce student awards when the amount a student receives exceeds his or her financial need by more than \$300. Specifically, the financial aid office must adjust the student's financial award until it falls within the required level, or the student will be required to repay the excess amount. The college district is also required to report to the CDE regarding students who have failed to pay back overages.

#### *Extended Opportunity Programs and Services (EOP&S)*

Extended Opportunity Programs and Services (EOP&S) are funded by the state of California and provide financial aid to students who have social, economic or educational disadvantages, or language limitations. The college district provides EOP&S funding to students in a number of ways, but usually not through direct cash payments. Instead, the college provides students with vouchers for meals, books and gas, or uses the funds to pay for tutors for the students. Qualifying students can also receive assistance for off-site childcare expenses; this is provided by paying invoices submitted by the child care provider, not through direct payments to the students.

The college district's financial aid office maintains files for each student who is eligible to receive benefits under the program. Files are required to contain at least an EOP&S application, an educational plan, and a mutual responsibility contract signed by the student. If a student becomes ineligible for the program (e.g., if they are on academic suspension), transcripts and other documentation showing a change in qualifications are placed in the student's file.

The audit team reviewed 70 files for awards made in fiscal years 2002-03 through 2006-07. As shown in Table 7, only 25 of the 70 files had adequate

#### **Extended Opportunity Programs and Services Eligibility Requirements**

To be eligible for EOP&S, students must:

- Be a California resident.
- Be enrolled full-time.
- Not have completed more than 70 units of degree applicable credit course work.
- Qualify to receive a California Board of Governors Grant.
- Be educationally disadvantaged as determined by the EOP&S director or designee.



documentation and contained expenditures for, or payments to, EOP&S eligible students. The remaining files were missing documents, had inadequate supporting documentation, or represented questionable uses of the EOP&S funds, such as purchases of backpacks or medallions with college logos on them – items that were not designated solely for EOP&S students. The questionable expenditures totaled approximately \$100,000.

**Table 9: EOP&S student files review results**

Fiscal Year	Files Selected for Testing Number	Files With No Issues Number	No Supporting Documentation		Inadequate Documentation		Questionable Use of EOP&S Funds		Total Questioned Costs Dollar Amount
			Number	Amount	Number	Amount	Number	Amount	
2002-03	23	5	5	\$1,145	13	\$21,519	0	\$0	\$22,664
2003-04	18	4	10	13,922	1	281	3	5,556	19,759
2004-05	13	5	7	40,347	0	0	1	3,929	44,276
2005-06	7	7	0	0	0	0	0	0	0
2006-07	9	4	1	2,659	3	8,592	1	2,334	13,585
<b>Totals</b>	<b>70</b>	<b>25</b>	<b>23</b>	<b>\$58,073</b>	<b>17</b>	<b>\$30,392</b>	<b>5</b>	<b>\$11,819</b>	<b>\$100,284</b>

Source: Auditor-generated table.

The audit team also compared student names on vouchers to the list of students eligible for EOP&S awards and found that not all students who benefitted from the vouchers appeared on the eligibility list. Of the 51 student names selected for comparison, the audit team could only identify 20 students as eligible for EOP&S program funds. Because the vouchers did not detail the amount given to each student, the audit team could not calculate the amount of questionable costs related to these payments.

The college district's current processes may be contributing to its problems with maintaining documentation related to EOP&S. The majority of the college district's recordkeeping processes are performed manually, which increases the chance of human error. Financial aid staff track EOP&S awards and expenditures using hard copy work sheets, logs, and binders. These methods make it difficult to identify expenditures in total or by student to oversee the use of the funds. In addition, there is no uniform procedure for students to follow when requesting funds. During site visits, the audit team observed students verbally requesting funds from the EOP&S coordinator for school supplies, gas vouchers, or automobile maintenance. However, there did not appear to be any consistency in how the coordinator decided whether to grant the students' requests. In one instance, the coordinator denied a student's voucher request because the coordinator's booklet was not in her office. This lack of consistency results in an inequitable system and makes it difficult for students to understand how to properly request reimbursements of funds.

According to the EOP&S program coordinator at the CCCCCO, Section 56204 of the EOP&S implementing guidelines require each eligible student to have an EOP&S application that determines eligibility, an education plan that supports the student's enrollment in school, and a mutual responsibility contract that demonstrates the student's intended



level of involvement and commitment to meeting educational goals. If the college district fails to comply with these guidelines, it could be required to repay EOP&S funds to the state, see its future funding allocation reduced, and possibly lose EOP&S funding entirely.

The fact that EOP&S requires student files to be retained for only three years from the last date the student was enrolled may explain why many EOP&S expenditures had no corresponding student files. Although the audit team did not review student year-end term transcripts for missing files, it found some instances in which the college district did not have adequate documentation to support the charges to EOP&S funds and other instances in which it incurred questionable charges to these funds.

### **Recommendations**

*The college district should:*

1. Clearly document policies and procedures for awarding FWS and EOP&S funds to students.

#### **Lassen Community College District Response**

Effective fall 2008, the college has already implemented a major change in the procedures of students qualifying for the Lassen Work Incentive Program and Federal Work Study (FWS). All potential on-campus employers submit a request for funding allocations that is reviewed by the director of financial aid and dean of student services. Jobs must be described and meet certain criteria before funding from either program is approved. All students interested in applying for on-campus or off-campus LCC jobs must also apply for work and be approved for work eligibility. For FWS, the student must complete a financial aid file, the FAFSA application, have satisfactory academic progress verified, and then apply with and be selected for one of the departments which have been approved for campus work. The college holds a job fair in the first weeks of each semester to assist the students to find employers. In addition, the college offers a worker orientation that all students must take to be eligible to get a job. In this worker orientation the tenets of a good resume are covered. The job developer in the financial aid office coordinates these services along with time card processing, making sure the employer is aware of the dollars and hours remaining to each worker before the student's eligibility is completely gone. This complete makeover of the student work program has eliminated the possibility of favoritism towards any group of students over other applicants.

2. Adequately train financial aid employees who oversee the FWS and EOP&S programs to ensure that they understand the program requirements and all documents that need to be maintained in the student files.

#### **Lassen Community College District Response**

Both FWS and EOPS are required to keep their files for the most recent three years. The FWS funds paid to ineligible students occurred on files reviewed from six years ago. For

the most recent year of the study, 2006-07, the FWS files reviewed demonstrated no missing files and no FWS funds paid to ineligible students. Procedures are in place to ensure that all documentation is consistently filed for ease of access.

## *Assets and Use of State Resources*

The district's internal control weaknesses extend to the tracking and safeguarding of physical assets and the monitoring and payment of services performed by college staff. The college does not have an integrated system to monitor the acquisition and disposition of assets, nor does it ensure that surplus inventory is tracked and safeguarded. In addition, the lack of controls over the foundation's payment for services provided by the college district resulted in various college employees, including the former president, providing services to the foundation without reimbursement to the college.

### *Inventory Tracking*

The college district does not have an adequate system to track its information technology purchases, or its equipment, supplies and furniture. Without such a system, the college district lacks the ability to monitor the status of its assets, ensure that assets are being used in accordance with the business needs of the school, verify that capital assets are properly recorded and depreciated, and oversee removal and disposition of surplus assets when they are no longer of value to the college.

The college district lacks an electronic inventory system. Employees in the shipping and receiving office affix inventory tags to each asset as it is received, complete a receipt of district asset form for each item, then file the form in one of a number of binders organized by campus building. During the audit, college district staff began entering asset information in an electronic spreadsheet. The audit team randomly selected ten items listed in the binders to observe at the locations listed. Three of the ten items selected were not in the locations recorded. Although the audit team was unable to locate these items, college district staff later stated that they believed some of the items were mislabeled or moved to other buildings. An effective inventory control system would allow staff to track these items more efficiently.

The audit team also selected 18 large pieces of professional exercise equipment in the college gymnasium, including a bench press, stationary bikes, treadmills and free weights, and attempted to match them to the inventory worksheets. Because the items were large, it is reasonable to expect that they would be included in an inventory list. However, the team could not locate the items in either the inventory tracking spreadsheet or the binders.

The lack of a complete and accurate inventory tracking system prevents managers from making optimum use of the college district's assets and can result in the college purchasing assets it does not need. Without adequate tracking, the risk of misuse or misappropriation of assets also increases.

**Recommendation**

*The college district should:*

1. Implement inventory controls over its assets to ensure that they are not at risk of misuse or misappropriation. Controls should include inventory tracking, annual reporting requirements, and tagging of high dollar assets or easily misappropriated items.

**Lassen Community College District Response**

The district recognizes that an accurate fixed asset inventory is required and essential to track and account for expensive equipment and other assets. The business staff worked closely with the independent audit firm during the 2007-08 annual audit process to determine the assets that were purchased during that fiscal year. One of the auditor's recommendations was to contract with a firm that specializes in taking inventory and preparing an accurate list that the district can then maintain on a regular basis. A district position needs to be identified and held accountable for making sure that the fixed asset inventory is up to date and accurate. The district expects to complete this project prior to June 30, 2009.

In addition, the district will review the procedures currently in place to account for the purchase of assets to ensure that the proper account codes are used and the dollar threshold for capitalized versus non-capitalized assets are consistently followed.

### ***Surplus Inventory Safeguarding and Sales Tracking***

The district lacks adequate practices for surplus inventory control and disposition. During fieldwork in August 2008, the audit team visited the site where the district stores surplus property that it intends to sell, recycle, donate or dispose of. The team observed numerous pieces of equipment and furniture, including chairs, desks, tables, and computer monitors. However, the site was not properly secured, thus the assets were at risk of misuse or misappropriation.

As shown in Exhibit A, many of the items the college district planned to dispose of via auction were stored in an open and unsecured location.

***Exhibit A: Storage site for assets to be auctioned***



### ***Recommendation***

*The college district should:*

1. Ensure that assets it intends to dispose of are safeguarded in a secure location not easily accessible to members of the public or to staff who do not have a need to access these items.

**Lassen Community College District Response**

Included in the management and accounting for fixed assets is the need to have specific procedures in place to dispose of old equipment and furniture. The dean of administrative services and staff are reviewing policies and practices. A method to dispose of obsolete and unusable items on a more regular basis to avoid leaving items out in the open to deteriorate will be part of the new procedures.

### *Use of State Funds for the Foundation*

The Lassen Community College Foundation was formed in 1977 as a nonprofit 501(c)(3) corporation to conduct activities that ultimately benefit the college students. The foundation's operations were intended to be separate from those of the college. However, the college provided several services to the foundation using college staff or resources and was not reimbursed by the foundation. Because the foundation is a separate entity, these services may be considered a gift of public funds. Article XVI, Section 6 of the California Constitution prohibits making a gift or authorizing the making of a gift of any public money or item of value to any individual or entity using state funds.

The following activities were performed by college district staff on behalf of the foundation during the years reviewed:

- The former college president was responsible for authorizing and awarding foundation scholarships during from 2002 through 2005. During this time, the former president's secretary tracked and accounted for scholarships for the foundation.
- The college district assigned facilities staff to perform maintenance and repairs at the foundation-owned hospital building.
- The college district's business office staff performed all accounting and purchasing functions on behalf of the foundation through the end of calendar year 2005.

According to the college district's accounting staff, neither the college district management nor foundation board members provided guidance regarding how to track the time and effort they spent on foundation activities. Accounting staff processed payroll checks for the foundation during fiscal years 2004-05 and 2005-06, and reported that the college district charged the foundation a \$150 service fee each payroll period. However, the audit team found that the college district charged this fee inconsistently. It is possible that the services provided by the college constituted a gift of public funds even though the college students ultimately benefited. The CCCCO acknowledged in its review that it appeared that the college's actions may have resulted a gift of public funds.

As of the end of August 2008, the foundation had awarded more than \$376,000 in scholarships. However, there may still be some uncertainty in the community about whether the foundation's activities benefited the college exclusively, and questions about whether resources the college provided to the foundation constitute a gift of public funds. This lack of clarity will likely continue because the foundation now operates Cougar Enterprises, a for-profit corporation. The college district's governing board needs to ensure that it clearly defines expenditures that are allowable as a public benefit so that they neither are nor appear to be gifts of public funds. Policies that delineate allowable expenditures will enable the college district to ensure proper reporting of expenditures and reduce confusion about the intended use of funds.

**Recommendations**

*The college district should:*

1. Ensure that its board develops specific policies that define the criteria for expenditures that are allowable as a public benefit.

**Lassen Community College District Response**

On November 12, 2008 the college district and the college foundation entered into a master agreement that identifies the purpose, guidelines and authorities by which the foundation, as an auxiliary organization of the college, will operate. The agreement outlines the business practices between the two entities.



## *Human Resources Policies and Procedures*

The human resources office's responsibilities include ensuring that the hiring of employees complies with local, state, and federal regulations. The college district has numerous deficiencies in the collection, maintenance and storage of confidential personnel records. Many personnel files are missing key documents, including supporting documentation justifying the hiring and retention of employees. In addition, the college stores some personnel files in unsecured locations accessible to employees outside of human resources. This raises concerns regarding the effectiveness of the college district's personnel administration. However, the college district recently hired a new permanent director of employee relations and is actively addressing its employment practices.

### *Personnel Records*

Because the content of employee files is not consistent from employee to employee, the college district cannot demonstrate that it has verified employee eligibility or met all state, federal and local criteria.

The audit team selected a sampling of individuals who were employed during the review period to determine whether their personnel files were complete and properly maintained. This included determining whether they contained the following key documents:

- Job duty statements, personnel action forms for new hires, and results of tuberculosis testing (required by California Education Code, Section 87408.6).
- Results of fingerprint and background check (required by California Education Code, Section 88024).
- Signed oath of allegiance (required by California Government Code, Section 3103, and Section 3 of Article XX of the California Constitution).
- Drug-free workplace policy initialed by employee acknowledging receipt (required by the Federal Drug-Free Workplace Act of 1998).
- The college district's sexual harassment policy initialed by employee acknowledging receipt (required by the college district governing board's policies).

Of the 49 personnel files reviewed, seven lacked job duty statements, 11 lacked personnel action forms for new hires, seven lacked evidence of tuberculosis testing, 35 lacked the results of fingerprint and background checks, and 24 lacked initialed acknowledgement that the employee had been provided with the sexual harassment policy.

According to the new director of employee relations, the human resources office is making efforts to address these deficiencies and to ensure that all current employee files contain all required documents. Until this process is completed, the college district risks being unable to prove that its hiring practices meet state and federal requirements. This is of special concern because the audit team found a file for an employee who did not undergo a fingerprint and background check until two months after being hired, at which time the college district discovered that the individual had a felony conviction that might have prevented the district from hiring the person for that position.

In addition, the audit team obtained a copy of a written notice of reprimand to an employee, which was not included in the employee's personnel file. The reprimand was written by the former college district president and alleged concerns about the employee's contact with foundation board members regarding the issuance of scholarships authorized by the former president. The audit team questions the justification for the reprimand, given the employee's job responsibilities. The fact that the notice of reprimand was not memorialized in the employee's personnel records is also questionable and raises concerns about the extent to which the reprimand was intended only to serve as a means for the former president to suppress any questioning of his actions.

The college district does not have any formal process for employees to report potential fraud or misuse of resources without fear of retribution. The U.S. Office of Governmental Ethics encourages governmental entities to have a whistleblower procedure in place. A whistleblower hotline can allow earlier detection of questionable practices by providing staff with a confidential way to report concerns, including those that received no response when previously reported to management.

As noted earlier, the district has significant issues with the storage and security of its records, including poor physical access controls. This increases the likelihood of records being accessed inappropriately. Exhibit B shows archived personnel records in the same unlocked cage as the president's records.

***Exhibit B: Storage facilities for archived personnel records***



The confidential nature of personnel records requires custodians of these documents to maintain strict storage standards to limit access. The college district has weaknesses in its storage of records for former employees; however, the human resources office is working to secure current employee files in locked file cabinets in a locked office room.

### **Recommendations**

*The college district should:*

1. Continue its efforts to standardize file contents and to ensure that files contain all required clearances, forms, and checklists in compliance with all human resources laws, regulations, and policies. The college district should ensure that this standardization process is documented and includes policies regarding access to personnel records and the types of files that must be retained permanently and stored separately.

### **Lassen Community College District Response**

Lassen College's human resources staff is developing a standardized checklist which will be located on the inside cover of each personnel file. The checklist will contain Lassen College's personnel file access policy as well as the records retention requirements of Title 5 section 59023. It will also itemize required documents to be maintained in the personnel file and in which section of the file they can be found.

2. Develop an independent method of reporting suspected fraudulent, inappropriate, or unallowable activities to the college district's governing board if management does not take proper action to correct or investigate the reported issues.

### **Lassen Community College District Response**

The office of human resources will publish an interim whistleblower protection policy until the board of trustees may adopt such policy. The office will also provide a short training on fraud and fraud prevention to college staff.

3. Ensure that it safeguards and stores employee files in a secure location not easily accessible to members of the public or to staff who do not need access.

### **Lassen Community College District Response**

All district files will be safeguarded in locked facilities. The door to the president's and HR storage area will be locked. Human resources staff will remove any Class-1 permanent records for storage within the office of human resources.



## Appendices

### *Appendix A*

*Recommendation Categories — Accrediting Commission for Community and Junior Colleges*

### *Appendix B*

*2008 Lassen County Grand Jury grand jury document noting substantial improvement and presenting seven commendations to the college district's special trustee and president.*

### *Appendix C*

*Detailed Audit Work Plan*

### *Appendix D*

*Historical Summary of Issues Faced by the College District*

### *Appendix E*

*Response to Audit*

### *Appendix F*

*Study Contract*



## Appendix A

### *Recommendation Categories — Accrediting Commission for Community and Junior Colleges*

Accreditation Decision	Description
Reaffirm accreditation	No action required.
Reaffirm accreditation with a follow-up report	Institutions recommendations need immediate attention.
Reaffirm accreditation with a follow-up report and visit	Institutions recommendations need immediate attention and a small commission team documents the institutions response.
Reaffirm accreditation with a focused midterm report.	An institutions' recommendation needs more emphasis than others.
Reaffirm accreditation with a focused midterm report and visit.	An institutions recommendation needs more emphasis and a small commission team documents the institutions response.
Defer action on accreditation.	An institution has the opportunity to address serious weakness within six months and provide additional information to the commission team.
Issue a warning.	An institution has deviated from the eligibility standards or policies to a serious extent.
Impose probation.	An institution has deviated from the eligibility standards or policies to a major extent.
Impose show cause order.	An institution has deviated from the eligibility requirements to an extent that it requires the institution to demonstrated to commission why its accreditation should continue.
Terminate accreditation.	[An institution fails to meet standards after repeated reviews by the commission.]

Source: Commission Team Evaluator Manual, August 2008.





## *Appendix B*

*2008 Lassen County Grand Jury grand jury document noting substantial improvement and presenting seven commendations to the college district's special trustee and president.*



### LASSEN COMMUNITY COLLEGE

**Reason for Inquiry:** On going public interest.

**Inquiry Procedures:** The Grand Jury interviewed Superintendent/President Dr. Douglas B. Houston and Chancellor's Office Special Trustee Thomas Henry.

**Background:** The history of the college has long been problematic and the college remains in a sanctioned status.

The college was placed on probation status in June 1996. At that time, work groups at the college were formed. As a result of the progress made by these work groups the Accreditation Commission for Community and Junior Colleges (ACCJC) removed the probationary status and placed the college on a warning status in June 1997. The college continued to make progress and the warning status was lifted in June 1999.

Between June 1999 and the comprehensive study site visit of spring 2002, the college replaced the Chief Executive Officer and all senior administrators. After the comprehensive study site visit in 2002, the ACCJC reaffirmed the accreditation of Lassen Community College (LCC), and requested the college complete a progress report in March 2004. The ACCJC accepted the progress report in June 2004, requesting a focused mid-term report in June 2005 and a progress report be submitted by March 2006 documenting the progress on two of the original three recommendations identified in 2002 site visit.

The ACCJC then took action in June 2006, placing the college on warning status and required a special visit to occur in July 2006. Upon the June 2006 special visit it was stated, "The team was gravely concerned with the general state of governance at the college and with the readily apparent power struggle that is going on between a group of faculty, staff, and mid-level management and the Board and the Superintendent, and other members of the college faculty and staff." The team further stated, "The College is in a state of crisis and this conflict is at the heart of it." Reacting to continuing problems at the College, the ACCJC placed Lassen College on probation in January 2007, and scheduled a May 2007 on-site review of Lassen College to determine whether or not the college would continue to exist.

A letter from the ACCJC identified a major concern, "that the institution appears to be pursuing a course of action that will place it in non-compliance with Eligibility Requirements."

In the summer of 2006, the 2005-2006 Lassen County Grand Jury submitted its report to the presiding Lassen County Superior Court Judge Stephen Bradbury with statements of potentially actionable issues. Lassen County District Attorney Robert Burns forwarded a number of these concerns to the State Attorney General's Office for review. The office of the State Attorney General responded in April indicating that while there were no actionable legal issues, there was indeed "gross mismanagement" attributable to the leadership of the Superintendent/President and the College Board of Trustees.

In August 2006, the ACCJC forwarded twenty-one specific recommendations provided by the special visiting team and requested a progress report by November 15, 2006.

In January 2007, the ACCJC took action to accept the progress report, placed the college on probation status and requested a progress report by March 15, 2007, concerning seventeen remaining recommendations. A special visit occurred on May 3, 2007.

In June 2007, the ACCJC accepted the progress report, special visit report, and took action to continue the college on probation status and requested a progress report by October 15, 2007, addressing the remaining ten of the original twenty-one recommendations. The progress report was followed by an ACCJC evaluation team visit in November 2007.

Currently LCC has a new Superintendent/President. Dr. Douglas Houston was hired August 14, 2007 through June 30, 2008 as Interim Superintendent/President. At a regular scheduled LCC Board meeting on November 13, 2007, the Board voted unanimously to authorize the Special Trustee to request from the Board of Governors (BOG) a waiver of Title 5, § 53201, requiring an open comprehensive search for a Superintendent/President. At its January meeting, the BOG approved the request. The BOG ruled that an open and full recruitment at this time could jeopardize the fiscal stability of the district or its ability to satisfy the conditions for removal from the ACCJC probation. On February 12, 2008, the LCC Board of Trustees unanimously ratified a three-year employment contract and appointed Dr. Houston Superintendent/President of Lassen Community College.

On January 31, 2008, the Lassen Community College District received a letter from the ACCJC stating that they took action to accept the LCC's progress report and identified seven remaining recommendations. The ACCJC also acted to continue Lassen College on probation.

In March 2008 the ACCJC conducted a comprehensive assessment of the LCC. The results of that assessment were notably positive. The ACCJC commended LCC on its response to the Chancellor's office, the appearance of the campus, and the atmosphere of student trust.

These results were directly attributed to the efforts of President Dr. Douglas B. Houston and Special Trustee Mr. Thomas Henry.

LCC is required to complete a Progress Report by October 15, 2008. Lassen Community College District was notified that they must correct stated deficiencies by January 2009. It appears that if the College, Board of Trustees, Administration, Facility and Student Body all continue to put forth a cooperative effort, a successful completion of all mandates will be met.

The report submitted to the Board of Supervisors indicated that the College failed to meet its student enrollment expectations for spring 2008 resulting in a financial shortfall exceeding those previously expected. This will put further strains on the repayment schedule to the Chancellor's office. It was further revealed that in past years, prior to the administration of Dr. Houston and his administration, that there was a financial problem indicating that several of the institution's facilities were owed monies. Attempts to recover these monies are already underway.

**Findings:** The Grand Jury finds it admirable that such a dramatic improvement has occurred in such a short period of time. Additionally, it appears probable that Lassen Community College will return to full accreditation status.



**Commendations:**

1. Dr. Douglas B. Houston and Special Trustee Mr. Thomas Henry for their diligent work under very difficult conditions.
2. The Board of Trustees for their renewed leadership.
3. The Classified Staff for their efforts to provide educational opportunities for the students. Furthermore, we wish to recognize their positive contribution to the new direction of LCC and for their effective operation of outreach and correspondence programs in an effort to maintain and expand the college's enrollment levels.
4. The faculty for working in harmony with Administration, thus creating a new and cooperative environment conducive to the successful operation of LCC.
5. The Academic Senate, and the various college departments and individual staff members who worked on student learning objectives and long-range planning to ensure the survival and improvement of the college.
6. The management team for addressing the pressing fiscal issues facing the College.
7. The consultants employed by the District for their understanding of the problems facing the College and their advice.

**Recommendations:** The Board of Trustees, Administration, and the Staff must continue to work together in order to fulfill the requirements and recommendations of the Accreditation Commission for Community and Junior Colleges.

**Response Required:** No.



## *Appendix C*

### *Detailed Audit Work Plan*

#### **Task 1.0: Initiate Audit**

##### **Objectives:**

- Establish a mutually agreed-upon project work plan, schedule, and deliverables that support the successful accomplishment of all project objectives.
- Identify project points of contact and project logistics.
- Ensure ongoing communication with the client's assigned project manager(s).

##### **Work Activities:**

- 1.1 Conduct project kick-off meeting with FCMAT project manager to review the work plan, schedule, and project objectives. Establish logistics for meetings and reporting protocols. Acquire additional background information pertaining to issues within the scope of the audit.
- 1.2 Revise work plan and schedule as necessary, based on discussions with FCMAT project manager.
- 1.3 Perform ongoing project management including informing FCMAT project manager of open issues throughout the audit via periodic verbal and e-mail communication and progress reports. In addition, perform contract management, invoicing, and other logistical issues.
- 1.4 Conduct periodic internal team meetings to discuss fieldwork progress, potential audit findings, and other relevant issues.

##### **Deliverables:**

- Mutual understanding of the project's scope and objectives.
- Revised work plan, if necessary.
- List of required documents and data needed to initiate project.
- List of specific stakeholders for whom MGT needs contact information.
- Progress reports.

**Task 2.0: Conduct Preliminary Survey****Objectives:**

- Obtain background information regarding issues and concerns pertaining to LCCD.
- Modify audit procedures to address issues and concerns pertaining to the review.

**Work Activities:**

- 2.1 Conduct entrance conference with LCCD management to discuss audit scope, time line, and other logistics, including the audit response process.
- 2.2 Interview representatives from LCCD, applicable external stakeholders, and prior audit firms to obtain additional perspective on identified issues and concerns.
- 2.3 Gather documentation pertaining to LCCD including, but not limited to, the following:
  - The recent Lassen County Grand Jury Report (2006-07).
  - The prior FCMAT Management Review (January 6, 2006).
  - The California Community Colleges Minimum Conditions complaint and Review of Apportionment Claims (February 6, 2006).
- 2.4 Perform initial review of documentation. Identify potential issues and concerns to focus on and refine audit procedures and testing methodology, as needed.

**Deliverables:**

- Clarification of background and issues pertaining to the audit.
- Refine audit procedures and testing methodology.

**Task 3.0: Review and Examine LCCD System of Accounting and Financial Reports for Accuracy, Completeness, and Appropriateness****Work Activities:**

- 1.1 Interview key managers and staff to gather background, history, and context of the current environment of the LCCD accounting system.
- 1.2 For the approved audit period, review status and accuracy of Foundation financial



- reporting including Form 990 and tax records (one auditor and two separate bookkeeping entities).
- 1.3 Audit and examine financial transactions between the LCCD and the Foundation for accuracy, completeness, and appropriateness including, but not limited to all donations, grants, and student scholarships (a judgmental sampling of 50 transactions per year).
  - 1.4 Review accounting practices/internal control of LCCD site operations.
  - 1.5 Review accounting practices of all off site operations including the Marina and Campground (less than six sites).
  - 1.6 Sample booster and club account revenue and expenditure transactions for accuracy, completeness, and appropriateness (a judgmental sampling of 25 transactions per year).
  - 1.7 Examine a sampling of cash transactions relative to student events. Including, but not limited to the Coppervale Ski Hill Services, Athletic, Concerts, and Marina/ Campgrounds (a judgmental sampling of 25 transactions per year).
  - 1.8 Examine all services given to, and rendered from, between the LCCD and the Foundation for appropriateness (a maximum of 15 services).
  - 1.9 Develop findings and recommendations and identify any related best practices.

**Deliverable:**

- Summary of findings and recommendations.

**Task 4.0: Review and Examine LCCD Grants, Scholarships, and Use of Funds for Appropriateness**

**Work Activities:**

- 4.1 Conduct preliminary interviews with head of the LCCD accounting unit, grant manager, and other fiscal staff as needed.
- 4.2 Review state and federal laws and regulations and grant and contract terms as applicable.
- 4.3 Review use of any federal work study funds (a judgmental sampling of 20 students per year).
- 4.4 Examine the receipt, disbursement, and use of equal opportunity program funds (a judgmental sampling of 25 transactions per year).
- 4.5 Examine whether any scholarships, grants, or other forms of compensation has been provided inappropriately to LCCD student athletes (a judgmental sampling

of 25 transactions per year).

- 4.6 Develop findings and recommendations and identify any related best practices.

**Deliverable:**

- Summary of findings and recommendations.

**Task 5.0: Review and Examine LCCD Assets for Completeness and Conflict of Interest**

**Work Activities:**

- 5.1 Identify and conduct preliminary interviews with appropriate managers and staff.
- 5.2 Examine whether LCCD property is missing and/or unaccounted. A listing of less than ten items will be provided to the auditors.
- 5.3 Review LCCD policy and process for the acquisition of leased and owned sites by the Foundation and their relationship to LCCD. Examine no more than six sites for compliance, appropriateness, and conflict of interest.
- 5.4 Review LCCD policy and process and results of declaration and sale of surplus property.
- 5.5 Develop findings and recommendations and identify any related best practices.

**Deliverable:**

- Summary of findings and recommendations.

**Task 6.0: Review and Examine Human Resource policy and practices for Compliance with Applicable Laws, Regulations, and Policies**

**Work Activities:**

- 1.1 Interview key human resource managers and staff.
- 1.2 Examine LCCD's custodial policy and practices to determine whether personnel records have been properly secured, maintained, and retained (a sample of up to ten records per year).
- 1.3 Review for conflicts of interest (policy, filings, and occurrences). The audit team will review up to 25 individual names to test for conflict of interest. The audit team will use appropriate sources such as, but not limited to: Lexus Nexus, Secretary of State, tax records, Google search, etc.

1.4 Develop findings and recommendations and identify any related best practices.

**Deliverable:**

- Summary of findings and recommendations.

**Task 7.0: Risk Review and Report Preparation**

**Objectives:**

- Perform quality control review to ensure findings, conclusions, and recommendations are adequately supported.
- Prepare and present the draft and final report.

**Work Activities:**

- 7.1. Conduct risk review of work papers supporting the audit findings and conclusions.
- 7.2. Prepare draft audit report summarizing findings and recommendations.
- 7.3. Conduct an exit conference with LCCD to present the draft report and to request a formal written response addressing the findings and recommendations.
- 7.4. Prepare final report, including comments on the formal response, and present final report to applicable stakeholders, if requested.

**Deliverable:**

- Draft and final audit reports.



## *Appendix D*

### *Historical Summary of Issues Faced by the College District*

#### *Accreditation Issues and Related Loss of Revenue*

The college has had ongoing problems with its accreditation status. In 1996, the Accrediting Commission for Community and Junior Colleges (ACCJC) placed the district on probation, which may have significantly affected the college's enrollment because of existing and prospective students' uncertainty about whether credits and degrees they earned would be accepted by other institutions or by employers.

The district formed work groups to address the ACCJC's findings and made sufficient progress that in 2002 the commission reaffirmed the college's accreditation but continued to monitor the college and requested that the college submit a progress report by March 2004 addressing the commission's findings.

The ACCJC accepted the report the college submitted in June 2004, but asked the college to provide a mid-term report. However, the college's reaffirmed accreditation status was interrupted when the ACCJC placed the college on warning in June 2006 and conducted a special visit in July 2006, at which time the ACCJC reported, "The team was gravely concerned with the general state of governance at the college and with the readily apparent power struggle that is going on between a group of faculty, staff, and mid-level management and the board and the Superintendent and other members of the college faculty and staff." As a result, the commission again placed the college on probation in January 2007.

In addition to accreditation issues and declining enrollment affecting the college's fiscal stability, the CCCCCO decertified the college apportionment claims, further reducing cash flow. CCCCCO initiated a minimum conditions complaint and apportionment review after receiving allegations of state apportionment violations relating to physical education courses. The review period extended from the summer term of 2003 through the spring term of 2005. The CCCCCO's report, issued in February 2006, determined that the college had offered courses for which it had inappropriately claimed \$1.3 million for apportionment. In addition, the college also identified more than \$657,000 of inappropriately claimed apportionment, resulting in a need to repay the state more than \$2 million.

In June 2005, the college district's governing board and former president requested that FCMAT conduct a fiscal health analysis of the college. FCMAT conducted its review and in January 2006 issued a report which indicated that the college district's management of its assets was impeded by a lack of internal controls, that key management positions were vacant or operating with interim appointments, and that the college district's budget was poorly managed. Although FCMAT helped the college district develop a budget process, the CCCCCO continued to monitor the college.

As a result of the CCCCCO's continual review and payments the college made, in August 2007 CCCCCO recalculated the college district's liability and determined that the college

district owed the state more than \$1.7 million in overclaimed apportionment, as identified in Table 20.

**Table 11: Decertified full time equivalents (FTEs) 2002-03 through 2005-06**

<b>Courses</b>	<b>Total Outstanding</b>
Owens Valley	\$138,066
Administration of Justice	73,094
Mechanize Agriculture	481,065
Fire Technology	49,842
PE 16	38,147
PE 32D	247,916
PE 33A	44,446
PE 39B	100,432
PE 39A	45,723
PE 32C	69,896
Construction 64	703
Gunsmithing	582
Art 37A	2,282
CG 158/160	4,308
PE 5A	10,159
<b>Subtotal</b>	<b>\$1,306,662</b>
<b>Additional apportionments identified by LCCD</b>	<b>657,495</b>
Recalculated Adjustments	(175,734)
2006-07 LCCD Payment	(80,000)
<b>Total Due</b>	<b>\$1,708,423</b>

Source: CCCCCO revised 2007 resolution agreement.

### ***External Investigations***

After hearing about the findings reported by the ACCJC, the CCCCCO, and FCMAT, the Lassen County Grand Jury conducted an investigation of the college district's operations and submitted a report to the presiding Lassen County Superior Court judge. The report included statements of potentially actionable issues such as outdated hiring activities, unfair labor practices, irregularities in apportionment claims, and transfers of general fund money to the Lassen Community College Foundation. The report was forwarded to the California state attorney general's office for review. The attorney general's response in April 2006 indicated that there were no actionable legal issues but noted that the college district appeared to suffer from "gross mismanagement" attributable to the leadership of the superintendent, the president and the board. The grand jury's final report noted that there was a lack of oversight by the board over the district's operations, including fiscal matters.

The grand jury report also noted that the former president failed to provide adequate information and sound guidance to the board, which caused the board to violate existing board policies and state laws. The attorney general reviewed requests by the grand jury and stated the following in a letter dated April 14, 2006:

It is apparent that while the Community College has been inarguably poorly managed and is in fiscal disarray, the somewhat unorthodox actions [the former president] took in addressing a variety of problems faced by the College do not appear to rise to the level of any chargeable crimes.

In June 2007, the grand jury also requested that the attorney general to investigate potential perjury issues related to sworn testimonies provided by the former president and a former coach made before the grand jury in 2005-06; however, the attorney general referred this issue back to Lassen County to address at a local level. However, because of a lack of evidence, no further action was warranted.

In May 2007, some members of the local Lassen community began to circulate a petition to recall four members of the college district's governing board. The recall petition effort was not successful due to a lack of signatures. According to the current board president, the recall effort may have failed due to renewed trust in the board and new administration. In July, 2007, the former college president resigned in a mutually accepted separation agreement. The CCCCCO subsequently entered into a resolution agreement with the Lassen Community College District in August, 2007, acknowledging that the college district needed time, resources, and assistance to comply with the CCCCCO's minimum conditions reports and recommendations. The resolution agreement and subsequent March 2008, amendment to the resolution agreement, provided for the state chancellor to appoint a state special trustee, acceptance of monitoring by the CCCCCO, and a repayment schedule for the \$1.7 million apportionment reduction claim. The repayment schedule, which extends to fiscal year 2017-18, is contingent upon LCCD making progress in addressing the minimum conditions and apportionment requirements. In August 2007, the college district's governing board hired a new superintendent/president and charged him with addressing accreditation issues and the CCCCCO's minimum conditions report. The fiscal year 2007-08 grand jury report notes improvements in both areas, as presented in Appendix B.

The special trustee was hired by the college district's board in August 2007 and works closely with the board and new president to address the findings and recommendations of the CCCCCO, FCMAT, and the ACCJC.





## *Appendix E*

### *Lassen Community College Response*

These comments are provided as a general statement of management response to this management review; the college's specific responses to each recommendation have been incorporated into the body of the report. The scope years of this review were the academic years 2002-03 to 2006-07. As the authors note in the report's Introduction, this was a period of significant scrutiny and monitoring, prospective fiscal instability, and accreditation sanctions.

In June, 2007 the college's former superintendent/president resigned. And in July of 2007, the chancellor's office designated a special trustee with the primary responsibility to ensure the college's recovery and sustained compliance with community college regulations. In August 2007 a new superintendent /president was hired and has focused the college on staffing various administrative vacancies and on implementing recovery and compliance initiatives. These initiatives include the development of various internal controls responding to recommendations from various mandates including the 2005 FCMAT management assessment, the 2007 chancellor's office resolution agreement, the 2007 Lassen County Grand Jury report and prior annual financial audit reports and evaluation reports from the Accrediting Commission for Community and Junior Colleges (ACCJC).

In recent reviews, the college's progress to recovery and compliance has been commended by the community college chancellor and staff, by the accrediting commission and by the Lassen County Grand Jury. While there is still work to be done, the college's governing board and staff are committed to embracing standards of best educational practice and to establishing the controls necessary to ensure compliance with the various rules and regulations that govern California community college operations.

Douglas B. Houston, Ed.D.

Superintendent/President



*Appendix F*  
*Study Contract*



STATE OF CALIFORNIA  
**STANDARD AGREEMENT**  
CCC 213 (Rev 03/06)

AGREEMENT NUMBER

**07-0128**

REGISTRATION NUMBER

1. This Agreement is entered into between the State Agency and the Contractor named below:

STATE AGENCY'S NAME

Chancellor's Office, California Community Colleges

CONTRACTOR'S NAME

**Kern County Office of Education**

2. The term of this Agreement is: May 1, 2008 through June 30, 2009
3. The maximum amount of this Agreement is: \$ 570,000.00
4. The parties agree to comply with the terms and conditions of the following exhibits which are by this reference made a part of the Agreement.

Exhibit A – Scope of Work	2 page(s)
Exhibit B – Budget Detail and Payment Provisions	2 page(s)
Exhibit C – General Terms and Conditions (Attached hereto as part of this Agreement)	6 page(s)
Exhibit D – Special Terms and Conditions (Attached hereto as part of this Agreement)	13 page(s)
Exhibit E – Request for Proposals (Attached hereto as part of this Agreement)	0 page(s)
Exhibit F – Contractor's Proposal (Attached hereto as part of this Agreement)	0 page(s)
Exhibit G – Contractor's Cost Proposal (Attached hereto as part of this Agreement)	1 page(s)
Exhibit H – Contractor Certification Clauses, Chancellor's Office Form CCC-1005 (Attached hereto as part of this agreement)	5 page(s)
Exhibit I – Additional Provisions	0 page(s)

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

**CONTRACTOR**

CONTRACTOR'S NAME (if other than an individual, state whether a corporation, partnership, etc.)

Kern County Office of Education

BY (Authorized Signature)

DATE SIGNED (Do not type)

PRINTED NAME AND TITLE OF PERSON SIGNING

Christine L. Frazier, Associate Superintendent

ADDRESS

1300 17<sup>th</sup> Street, Bakersfield, CA 93301

**STATE OF CALIFORNIA**

AGENCY NAME

Chancellor's Office, California Community Colleges

BY (Authorized Signature)

DATE SIGNED (Do not type)

PRINTED NAME AND TITLE OF PERSON SIGNING

Ken Bruckman, Executive Vice Chancellor

ADDRESS

1102 Q Street, Sacramento, CA 95811-6549

Chancellor's Office, California  
Community Colleges Use Only

Exempt from DGS approval pursuant  
to AB 1441, Chapter 36 of the Statutes  
of 2000



AMOUNT ENCUMBERED BY THIS DOCUMENT \$ 570,000.00	PROGRAM/CATEGORY (CODE AND TITLE)		FUND TITLE	
	Local Assistance (OPTIONAL USE)		General	
PRIOR AMOUNT ENCUMBERED FOR THIS CONTRACT \$ 0	ITEM 6870-107-0001	CHAPTER 171	STATUTE 2007	FISCAL YEAR 2007-08
	TOTAL AMOUNT ENCUMBERED TO DATE \$ 570,000.00			
OBJECT OF EXPENDITURE (CODE AND TITLE) 0241-751-24107				
I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purpose of the expenditure stated above.		T.B.A. NO.	B.R. NO.	
SIGNATURE OF ACCOUNTING OFFICER		DATE		



**EXHIBIT A**  
**(Standard Agreement)**

**SCOPE OF WORK**

**1. Services to Be Provided**

Contractor agrees to have its Fiscal Crisis and Management Assistance Team provide to the Chancellor's Office of the California Community Colleges (hereinafter referred to as the Chancellor's Office) investigative, review and auditing services pursuant to item 6870-107-0001 of the 2007-08 State Budget Act, Education Code section 84041 and applicable regulations adopted by the Board of Governors. Such investigations, reviews or audits may be required in circumstances which include audits, examinations, or reviews of any community college districts pursuant to Section 84041 of the Education Code. The board of governors may request unsolicited reviews of the local community college districts if the board determines that there is an imminent threat to the fiscal integrity of a district as a result of fraud, misappropriation of funds, or other illegal fiscal practices. Either Contractor or the Chancellor's Office may identify the need for Contractor to undertake a specific investigation, review or audit of a community college, but all requests from colleges for the services of FCMAT shall be directed to and approved by the Project Monitor for the Chancellor's Office. The Project Monitor shall, after consultation with Contractor's Project Director and the Department of Finance, develop a written document authorizing Contractor to conduct a particular investigation, review or audit and defining the scope and cost thereof. Upon signature by the Project Monitor and the Project director, the Project Authorization for the specific investigation, audit or review shall be deemed a part of this contract as though fully set forth herein.

**2. Project Representatives**

The project representatives during the term of this agreement will be:

Chancellor's Office: Project Monitor	Contractor: Project Director
Name: Fred Harris	Name: Barbara Dean
Phone: (916) 324-9508	Phone: (661) 636-4906
Fax: (916) 323-8245	Fax: (661) 636-4647
Alternate Chancellor's Office :	Alternate Contractor Contact :
Name: N/A	Name: Joel Montero
Phone :	Phone: (707) 775-2852
Fax :	Fax: (707) 775-2854

Direct inquiries regarding terms or conditions of the agreement should be made to:

Chancellor's Office: Contract Manager	Contractor: KCSOS
Name: Wendy Lozoya	Name: Christine L. Frazier, Associate Superintendent
Address: 1102 Q Street, Sacramento, CA 95811-6549	Address: 1300 17 <sup>th</sup> Street, City Centre, Bakersfield, CA 93301-4533
Phone: (916) 327-5906	Phone: (661) 636-4632
Fax: (916) 323-9478	Fax: (661) 636-4130



**EXHIBIT A  
(Standard Agreement)**

**SCOPE OF WORK**

**3. Contractor's Project Director and Key Personnel**

Substitution of Contractor's Project Director, as indicated in provision 2. above, or Contractor's key personnel, as indicated in the Contractor's Proposal (Exhibit F), may not be made without the prior written approval of the Chancellor's Office Project Monitor.

**4. Chancellor's Office Project Monitor**

The Project Monitor is responsible for overseeing the project as a whole, and any questions or problems relating to the project should be directed to the Project Monitor. If necessary, the Chancellor's Office may change the Project Monitor by written notice sent to the Contractor.

**5. Chancellor's Office Contract Manager**

The Chancellor's Office may change the Contract Manager by written notice given to the Contractor. Any questions relating to the terms or conditions of the Agreement document should be addressed to the Contract Manager.



**EXHIBIT B**  
**(Standard Agreement)**

**BUDGET DETAIL AND PAYMENT PROVISIONS**

**1. Costs and Payments**

- a. In consideration of satisfactory performance of this Agreement, the Chancellor's Office agrees to pay the Contractor costs in accordance with the approved contract budget, Exhibit G, which is also attached hereto and by reference made a part of this Agreement, and the Project Authorization for each particular investigation, review or audit.
- b. 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. Such 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.

**2. Budget Changes**

Changes in budget line item amounts which are up to and including ten percent of the total budget amount may be made with the prior written approval of the Project Monitor. Changes in budget line item amounts which are greater than ten percent of the total budget amount may be made only through a written and duly executed amendment to this Agreement.

**3. Budget Contingency Clause**

- a. It is mutually understood between the parties that this Agreement may have been written before ascertaining the availability of state or federal funds, for the mutual benefit of both parties in order to avoid program and fiscal delays which would occur if the Agreement were executed after the determination was made.
- b. It is mutually agreed that if the state or federal budget for the current year and/or any subsequent years covered under this Agreement does not appropriate sufficient funds for the program, this Agreement shall be of no further force and effect. In this event, the Chancellor's Office shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of this Agreement.
- c. If funding for any fiscal year is reduced or deleted by the state or federal budget, the Chancellor's Office will be liable for payment to Contractor for services/work completed up to the date of notification from the Chancellor's Office to Contractor.
- d. Contractor shall inform any subcontractors that any work performed prior to approval of the state or federal budget, as applicable, will be rendered on a voluntary basis, and shall not be compensated unless and until funding is authorized.



**EXHIBIT B**  
**(Standard Agreement)**

**BUDGET DETAIL AND PAYMENT PROVISIONS**

- e. In addition, this Agreement is subject to any additional restrictions, limitations or conditions enacted in the state or federal budget and/or laws and Executive Orders that may affect the provisions, term, or funding of this Agreement in any manner.
- f. Should it become necessary for the Chancellor's Office to implement the provisions of this section, it will make every reasonable effort to give Contractor at least 30 days notice of any reduction in funding. The Chancellor's Office will also make every reasonable effort to pay for services rendered prior to the date of the notice of reduction, including but not limited to paying all pending claims as quickly as possible when there is a threat of impending reductions and identifying other sources of funding which may be available for use to compensate Contractor if funding earmarked for this project is reduced or eliminated.

**4. Fiscal Reports**

Contractor shall furnish detailed itemization of and retain all records relating to direct expenses reimbursed to Contractor hereunder and to hours of employment on this Agreement by any employee of Contractor for which the Chancellor's Office is billed.

*Invoices for services rendered are to be delivered to the Accounting Office, California Community Colleges, 1102 Q Street, 4th Floor, Sacramento, CA 95811-6549.*

**5. Prompt Payment Clause**

If Contractor is not a community college district or other public entity, payment will be made in accordance with, and within the time specified in, chapter 4.5 of part 3 of division 3.6 of title 1 of the Government Code, commencing with section 927.



**EXHIBIT C**  
**(Standard Agreement)**

**GENERAL TERMS AND CONDITIONS**

**1. Amendment**

No amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by the parties and approved as required. No oral understanding or agreement not incorporated in this Agreement is binding on any of the parties.

**2. Assignment**

Contractor may not transfer by assignment or novation the performance of this Agreement or any part thereof except with the prior written approval of the Project Monitor. Nor may Contractor, without the prior written consent of the Project Monitor, assign any other right that Contractor may have under this Agreement. Each assignment that is approved by the Project Monitor shall contain a provision prohibiting further assignments to any third or subsequent tier assignee without additional written approval by the Project Monitor. The Project Monitor's consent to one or more such assignments or novations shall not constitute a waiver or diminution of the absolute power to approve each and every subsequent assignment or novation.

**3. Audit**

Contractor agrees that the Chancellor's Office, the Bureau of State Audits, any other appropriate state or federal oversight agency, or their designated representative(s), shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this Agreement. Contractor agrees to maintain such records for possible audit for a minimum of three (3) years after final payment, unless a longer period of records retention is stipulated. Contractor agrees to allow the auditor(s) access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, Contractor agrees to include a similar right of the Chancellor's Office, the Bureau of State Audits, any other appropriate state or federal oversight agency, or their designated representative(s) to audit records and interview staff in any subcontract related to performance of this Agreement. (Gov. Code, § 8546.7; Pub. Contr. Code, §§ 10115 et seq.; Cal. Code Regs., tit. 2, § 1896.)

**4. Indemnification**

Contractor agrees to indemnify, defend and save harmless the State, the Board of Governors of the California Community Colleges, the Chancellor's Office, its officers, agents and employees, from any and all claims and losses arising out of the act or omission of Contractor, its officers, employees, agents and subcontractors, in the course of performing this Agreement. This obligation shall not apply to any claim or loss determined by an arbitrator or court of competent jurisdiction to be caused solely by the active negligence or willful misconduct of Chancellor, its officers, employees, trustees, or agents.

**5. Disputes**

The parties desire to avoid and settle without litigation future disputes which may arise between them relative to this Agreement. Accordingly, the parties agree to engage in good faith negotiations to resolve any such dispute. In the event they are unable to resolve any such dispute by negotiation, then such dispute shall, on written request of either party served on the other, be submitted to arbitration, and such arbitration shall comply with and be governed by the provisions



**EXHIBIT C**  
**(Standard Agreement)**

**GENERAL TERMS AND CONDITIONS**

of the California Arbitration Act, sections 1280 through 1284.2 of the California Code of Civil Procedure. Each party shall appoint one person to hear and determine the dispute and, if they are unable to agree, then the two persons so chosen shall select a third and impartial arbitrator whose decision shall be final and conclusive upon both parties. The cost of arbitration shall be borne by the losing party or in such proportions as the arbitrator shall decide. The parties to any arbitration proceeding shall have full rights of discovery as allowed by the California Code of Civil Procedure section 1283.05, subject to any restrictions reasonably imposed by the arbitrators.

**6. Termination**

- a. Bankruptcy. In the event proceedings in bankruptcy are commenced against the Contractor, Contractor is adjudged bankrupt or a receiver is appointed and qualifies, then the Chancellor's Office may terminate this Agreement and all further rights and obligations hereunder, by giving five days notice in writing in the manner specified herein. It is recognized by the parties that equipment purchased by Contractor or the Chancellor's Office for this project shall have lien rights held in the name of the Chancellor's Office which shall retain lien rights until the Contractor either returns said equipment to the Chancellor's Office or purchases it as is provided by the terms of this Agreement.
- b. Termination Option. The Chancellor's Office may, at its option, terminate this Agreement at any time upon giving sixty (60) days' advance notice in writing to Contractor in the manner herein specified. In such event, both parties agree to use all reasonable efforts to mitigate their expenses and obligations hereunder. In such event, the Chancellor's Office shall pay Contractor for all satisfactory services rendered and expenses incurred prior to such termination which could not by reasonable efforts of Contractor have been avoided, but not in excess of the maximum payable under this Agreement. In such event, Contractor agrees to relinquish possession of equipment purchased for this project to the Chancellor's Office or Contractor may, with approval of the Chancellor's Office, purchase said equipment as provided by the terms of this Agreement.
- c. Event of Breach. In the event of any breach of this Agreement, the Chancellor's Office may, without any prejudice to any of its other legal remedies, terminate this Agreement upon five days' written notice to the Contractor. In the event of such termination the Chancellor's Office may proceed with the work in any manner deemed proper by the Chancellor's Office. The cost to the Chancellor's Office shall be deducted from any sum due the Contractor under this Agreement, and the balance, if any, shall be paid to the Contractor upon demand. Whether or not the Chancellor's Office elects to proceed with the project, Chancellor's Office shall pay Contractor only the reasonable value of the services theretofore rendered by Contractor as may be agreed upon by the parties or determined by a court of law. The Chancellor's Office agrees to refrain from exercising its right of termination under this paragraph if the breach is immaterial and contractor remedies or agrees to remedy the breach during the fifteen (15) day notice period provided for herein.
- d. Gratuities. The Chancellor's Office may, by written notice to the Contractor, terminate the right of Contractor to proceed under this Agreement if it is found, after notice and hearing by the Chancellor or his or her duly authorized representative, that gratuities were offered or given by the Contractor or any agent or representative of the Contractor to any officer or employee of the Chancellor's Office with a view toward securing a contract or agreement



**EXHIBIT C  
(Standard Agreement)**

**GENERAL TERMS AND CONDITIONS**

or securing favorable treatment with respect to awarding or amending or making a determination with respect to the performance of such contract or agreement.

In the event this Agreement is terminated as provided herein, Chancellor's Office shall be entitled to (1) pursue the same remedies against Contractor as it could pursue in the event of the breach of the Agreement by the Contractor, and (2) exemplary damages in an amount which shall be not less than three nor more than ten times the cost incurred by the Contractor in providing any such gratuities to any such officer or employee, as a penalty in addition to any other damages to which it may be entitled by law.

The rights and remedies of Chancellor's Office provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

- e. Breach by Chancellor's Office. In the event the Chancellor's Office fails to carry out any responsibility assigned to it under this Agreement or to make payments under this Agreement for services rendered by contractor which are not the subject of a dispute, Contractor may terminate this Agreement upon fifteen (15) days written notice if the Chancellor's Office does not agree to cure the breach or make payment within a reasonable period agreed upon by the parties.

**7. Independent Status of Contractor**

The Contractor, and the agents and employees of Contractor, in the performance of this Agreement, shall act in an independent capacity and not as officers or employees or agents of the State of California or the Chancellor's Office.

**8. Recycling Certification**

The Contractor shall certify in writing under penalty of perjury, the minimum, if not exact, percentage of post consumer material as defined in Public Contract Code section 12200, in products, materials, goods, or supplies offered or sold to the state in the performance of this Agreement, regardless of whether the product meets the requirements of Public Contract Code section 12209. With respect to printer or duplication cartridges that comply with the requirements of section 12156(e), the certification required by this subdivision shall specify that the cartridges so comply. (Pub. Contr. Code, § 12205.)



**EXHIBIT C**  
**(Standard Agreement)**

**GENERAL TERMS AND CONDITIONS**

**9. Nondiscrimination Clause**

- a. During the performance of this Agreement, Contractor and its subcontractors shall not unlawfully discriminate, harass or allow harassment against any employee or applicant for employment because of ethnic group identification, national origin, religion, creed, age, sex, race, color, ancestry, sexual orientation, physical disability (including HIV and AIDS), mental disability, medical condition (cancer and genetic characteristics), or on the basis of these perceived characteristics or based on association with a person or group with one or more of these actual or perceived characteristics, marital status, denial of family care leave, political affiliation, or position in a labor dispute. Contractor and its subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. In the event that Contractor or the Chancellor's Office becomes aware that a subcontractor is alleged to have violated the nondiscrimination provisions referenced herein, contractor agrees to cooperate with the Chancellor's Office in taking appropriate steps to investigate and address the problem, including but not limited to, terminating the subcontract if the parties agree such action is warranted.
- b. Contractor and its subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code, §§ 12900 et seq.) and the applicable regulations promulgated thereunder (Cal. Code Regs., tit. 2, §§ 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code section 12990 (a-f), set forth in chapter 5 of division 4 of title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full.
- c. Contractor and its subcontractors shall also comply with the provisions of Government Code sections 11135-11139.8.
- d. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.
- e. The Contractor shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the Agreement.

**10. Certification Clauses**

The Contractor Certification Clauses contained in Chancellor's Office form CCC-1005 are hereby incorporated by reference and made a part of this Agreement by this reference, and are attached hereto as Exhibit H.

**11. Timeliness**

Time is of the essence in this Agreement.

**12. Compensation**



**EXHIBIT C**  
**(Standard Agreement)**

**GENERAL TERMS AND CONDITIONS**

The consideration to be paid Contractor, as provided herein, shall be in compensation for all of Contractor's expenses incurred in the performance hereof, including travel, per diem, and taxes, unless otherwise expressly so provided.

**13. Governing Law**

This Agreement is governed by and shall be interpreted in accordance with the laws of the State of California; venue of any action brought with regard to this Agreement shall be in Sacramento County, Sacramento, California.

**14. Antitrust Claims**

The Contractor, by signing this agreement, hereby certifies that if these services or goods are obtained by means of a competitive bid, the Contractor shall comply with the requirements of the Government Codes Sections set out below.

- a. The Government Code Chapter on Antitrust claims contains the following definitions:
  1. "Public purchase" means a purchase by means of competitive bids of goods, services, or materials by the State or any of its political subdivisions or public agencies on whose behalf the Attorney General may bring an action pursuant to subdivision (c) of section 16750 of the Business and Professions Code. (Gov. Code, § 4550(a).)
  2. "Public purchasing body" means the State or the subdivision or agency making a public purchase. (Gov. Code, § 4550(b).)
- b. In submitting a bid to a public purchasing body, the bidder offers and agrees that if the bid is accepted, it will assign to the purchasing body all rights, title, and interest in and to all causes of action it may have under section 4 of the Clayton Act (15 U.S.C. § 15) or under the Cartwright Act (chapter 2 (commencing with section 16700) of part 2 of division 7 of the Business and Professions Code), arising from purchases of goods, materials, or services by the bidder for sale to the purchasing body pursuant to the bid. Such assignment shall be made and become effective at the time the purchasing body tenders final payment to the bidder. (Gov. Code, § 4552.)
- c. If an awarding body or public purchasing body receives, either through judgment or settlement, a monetary recovery for a cause of action assigned under this chapter, the assignor shall be entitled to receive reimbursement for actual legal costs incurred and may, upon demand, recover from the public body any portion of the recovery, including treble damages, attributable to overcharges that were paid by the assignor but were not paid by the public body as part of the bid price, less the expenses incurred in obtaining that portion of the recovery. (Gov. Code, § 4553.)
- d. Upon demand in writing by the assignor, the assignee shall, within one year from such demand, reassign the cause of action assigned under this part if the assignor has been or may have been injured by the violation of law for which the cause of action arose and (a) the assignee has not been injured thereby, or (b) the assignee declines to file a court action for the cause of action. (Gov. Code, § 4554.)



**EXHIBIT C  
(Standard Agreement)**

**GENERAL TERMS AND CONDITIONS**

**15. Child Support Compliance Act**

For any Agreement in excess of \$100,000, the Contractor acknowledges in accordance with Public Contract Code section 7110, that:

- a. The Contractor recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in chapter 8 (commencing with section 5200) of part 5 of division 9 of the Family Code; and
- b. The Contractor, to the best of its knowledge is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department.

**16. Unenforceable Provision**

In the event that any provision of this Agreement is unenforceable or held to be unenforceable, then the parties agree that all other provisions of this Agreement have force and effect and shall not be affected thereby.



**EXHIBIT D  
(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

**1. Excise Tax**

The State of California is exempt from federal excise taxes, and no payment will be made for any taxes levied on employees' wages. The Chancellor's Office will pay for any applicable State of California or local sales or use taxes on the services rendered or equipment or parts supplied pursuant to this Agreement. California may pay any applicable sales and use tax imposed by another state.

**2. Subcontracts**

- a. The Contractor agrees to obtain the written approval of the Project Monitor prior to the selection of subcontractor(s) to perform the services under this Agreement, at which time the Chancellor's Office will inform the Contractor of any applicable legal requirements regarding disabled veteran business enterprise participation requirements and the use of the Request for Proposals primary or two-tier method. Subcontractors specifically identified in this Agreement or the Exhibits attached hereto and which are secured in accordance with applicable legal requirements are deemed to be approved upon execution of this Agreement.

- b. In any event, any additional subcontractor(s) retained by the Contractor shall be selected using procedures reasonably calculated to ensure that cost shall be given substantial weight in the selection process, and that the selected subcontractor is the best qualified party available to provide the required services. Upon request, Contractor shall furnish evidence of compliance with this provision to the Project Monitor.

Prior to granting approval for hiring of a subcontractor as provided in paragraph a. of this section, the Chancellor's Office shall determine whether the proposed subcontractor is qualified to undertake investigations, reviews or audits to be authorized under this Agreement and shall recommend use of other subcontractors if those selected by the Contractor are deemed unqualified. Once a subcontract has been approved, the Chancellor's Office shall only require termination of the subcontract based on evidence that the subcontractor has not adequately performed the required duties or refuses to do so.

- c. Contractor shall immediately notify the Project Monitor in the event that any subcontract is terminated.
- d. All subcontracts shall contain a provision prohibiting any third or subsequent tier subcontracts without additional written approval by the Project Monitor.
- e. The Project Monitor's consent to one or more subcontracts shall not constitute a waiver or diminution of the absolute power to approve each and every subsequent subcontract.
- f. Nothing contained in this Agreement or otherwise, shall create any contractual relation between the Chancellor's Office and any subcontractors, and no subcontract shall relieve Contractor of its responsibilities and obligations hereunder. Contractor agrees to be as



**EXHIBIT D**  
**(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

fully responsible to the Chancellor's Office for the acts and omissions of its subcontractors and of persons either directly or indirectly employed by any of them as it is for the acts and omissions of persons directly employed by Contractor. Contractor's obligation to pay its subcontractors is independent from the obligation of the Chancellor's Office to make payments to the Contractor. As a result, the Chancellor's Office shall have no obligation to pay or to enforce the payment of any moneys to any subcontractor.

**3. Subcontract Payments**

Contractor shall obtain the written approval of the Project Monitor and the Executive Vice Chancellor, or his/her designee, before making payments under this Agreement to any subcontractors. Such approval shall not be unreasonably withheld.

**4. Notice**

Any notice to either party which is required or permitted to be given under this Agreement shall be given by certified mail properly addressed, postage fully prepaid to the address beneath the name of each respective party. Such notice shall be effective when received, as indicated by post office records, or if deemed undeliverable by post office, such notice shall be postponed 24 hours for each such intervening day.

**5. Interpretation**

In the interpretation of this Agreement, any inconsistencies between the terms of Exhibits A through D and the language of any other Exhibit or document shall be resolved in favor of the terms of Exhibits A through D.

**6. Reports**

- a. Quarterly Progress Reports. Except as otherwise specified by the Chancellor's Office, Contractor shall provide a progress report in writing at least once per quarter to the Project Monitor. Each progress report shall include, but not be limited to, a statement that the Contractor is or is not on schedule with respect to each authorized project, and any pertinent reports or interim findings. Contractor shall discuss any difficulties or special problems so that remedies can be developed as soon as possible. Contractor shall provide four copies of the quarterly progress report by March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup> and December 31<sup>st</sup> respectively.
- b. Final Report. By July 31, 2009, Contractor shall provide the Project Monitor a comprehensive Final Report, a brief summary of same, and a brief (200 words or less), factual abstract of the final report.
  1. Summary. The summary shall include a statement of the problem, techniques used to solve the problem, conclusions of the problem, and any additional follow-up or ongoing recommendations. The summary shall be prepared in language and structure easily understood by members of the public who may have limited technical background.



**EXHIBIT D  
(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

Contractor shall provide the Chancellor's Office with ten (10) copies and a reproducible master.

2. Abstracts. Contractor shall provide a brief (200 words or less), factual abstract of the most significant information contained in the report.

Contractor shall meet with Chancellor's Office staff to present the findings, conclusions, and recommendations. Both the final meeting and final report must be completed on or before the date specified above for submission of the final report.

The Contractor shall be available from July 1, 2009, to and including September 30, 2009, to answer questions pertaining to the Final Report and/or revise the Final Report.

- c. The Chancellor's Office reserves the right to use and reproduce all reports and data produced and delivered pursuant to this Agreement and authorize others to use or reproduce such materials.
- d. All reports are to be delivered to the Project Monitor, Chancellor's Office, California Community Colleges, 1102 Q Street, Sacramento, CA 95811-6549
- e. Any document or written report prepared, in whole or in part, by Contractor or subcontractors, shall contain the numbers and dollar amounts of this Agreement and all subcontracts relating to the preparation of such document or written report. The Agreement and subcontract numbers and dollar amounts shall be contained in a separate section of such document or written report. (Gov. Code, § 7550(a).)
- f. When multiple documents or written reports are the subject or product of this Agreement, the disclosure section must also contain a statement indicating that the total Agreement amount represents compensation for multiple documents or written reports. (Gov. Code, § 7550(b).)

**7. Copyright and Intellectual Property**

- a. Contractor agrees that any and all services rendered and documents or other materials, inventions, processes, machines, manufactures, or compositions of matter, computer programs, computer software, and/or trademarks or servicemarks first created, developed or produced pursuant to this Agreement, whether by Contractor or subcontractors, shall be and are Work for Hire. All subcontracts shall include a Work for Hire provision by which all materials, procedures, processes, machines, computer programs, computer software, and trademarks or servicemarks produced as a result of this Agreement shall be Work for Hire. All rights, title, and interest in and to the Work first developed under this Agreement or under any subcontract shall be assigned and transferred to the Chancellor's Office. This Work for Hire agreement shall survive the expiration or early termination of this Agreement.



**EXHIBIT D**  
**(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

- b. The copyright for all materials first produced as a result of this Work for Hire agreement shall belong to the Chancellor's Office. Contractor, and all subcontractors and others that produce copyright materials pursuant to this Agreement, assigns all rights, title and interest, including the copyright to any and all works created pursuant to this Work for Hire agreement, to the Chancellor's Office. The Chancellor's Office shall acknowledge Contractor or its subcontractors, if any, as the author of works produced pursuant to this Work for Hire agreement on all publications of such work. The Chancellor's Office will not modify documents produced by contractor under this agreement without first consulting with Contractor and obtaining Contractor's written consent. Contractor may, after consultation with the Chancellor's Office, release reports developed pursuant to this Agreement in response to a valid request under the California Public Records Act and may also distribute such reports to its Board of Directors, provided that each director agrees not to further distribute the report without the permission of the contractor and the Chancellor's Office. In addition, the Chancellor's Office may license Contractor or its subcontractors, if any, to otherwise reproduce and disseminate copies of such work, provided the licensee agrees not to permit infringement of the copyright by any person, to compensate Chancellor's Office for any infringement which may occur, and to indemnify and hold harmless the Chancellor's Office for any and all claims arising out of or in connection with the licensing agreement.
- c. All materials first developed in draft and in final form pursuant to this Agreement shall, in a prominent place, bear the © (the letter "c" in a circle) or the word "Copyright," or the abbreviation "Copr.," followed by the year created; and the words "Chancellor's Office, California Community Colleges." Acknowledgment shall be given to Contractor or the actual author(s) of the work in an appropriate manner elsewhere in the copyright material. If it is deemed necessary by either the Chancellor's Office or Contractor that the copyright be registered with the U.S. Copyright Office, Contractor will be responsible for applying for and securing said copyright; provided the Chancellor's Office agrees to reimburse Contractor for the expenses associated with securing said copyright.
- d. All technical communications and records originated or first prepared by Contractor or its subcontractors, if any, pursuant to this Work for Hire agreement including papers, reports, charts, computer programs, and technical schematics and diagrams, and other documentation, but not including Contractor's administrative communications and records relating to this Agreement, shall, upon request, be delivered to and shall become the exclusive property of the Chancellor's Office and may be copyrighted by the Chancellor's Office.
- e. All trademarks and servicemarks first created, developed or acquired pursuant to this Agreement shall be the property of the Chancellor's Office. If it is deemed necessary by either the Chancellor's Office or Contractor that a trademark or servicemark be registered with state or federal agencies, Contractor will be responsible for applying for and securing said protection; provided that the Chancellor's Office agrees to reimburse Contractor for expenses associated with securing such protection. All trademarks and servicemarks obtained pursuant to this Agreement shall be issued to the "Chancellor's Office, California Community Colleges" and carry the designations permitted or required by law. The



**EXHIBIT D  
(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

Chancellor's Office agrees to grant a nonexclusive license for the use of trademarks or servicemarks created, developed or obtained under this Agreement to Contractor.

- f. In connection with any license granted pursuant to the preceding paragraphs, Contractor agrees not to permit infringement by any person, to compensate Chancellor's Office for any infringement which may occur, and to indemnify and hold harmless the Chancellor's Office for any and all claims arising out of or in connection with such license. Contractor may, with the permission of the Chancellor's Office, enter into a written sublicensing agreement subject to these same conditions.
- g. Any and all services rendered, materials, inventions, processes, machines, manufactures, or compositions of matter, computer programs, computer software, and trademarks or servicemarks created, developed or produced pursuant to this Agreement by subcontractors that create works for this Agreement for Contractor are for and are the property of the Chancellor's Office. Contractor shall obtain an acknowledgement of the work for hire performed by these subcontractors that produce intellectual property pursuant to this Agreement, and all rights, title, and interests in such property shall be assigned to the Chancellor's Office from all subcontractors. Contractor shall incorporate the above applicable paragraphs, modified appropriately, into its agreements with subcontractors that create works for this Agreement. No unpaid volunteer or other person shall produce copyright materials under this Agreement without entering into a subcontract between such person(s) and Contractor giving the Chancellor's Office the foregoing rights in exchange for the payment of the sum of at least one dollar (\$1).

**8. Public Hearings**

If public hearings on any matter dealt with in this Agreement are held during the period of the Agreement, Contractor will make available the personnel assigned to this Agreement for the purpose of testifying. Chancellor's Office will reimburse Contractor for compensation and travel of said personnel at the contract rates for such testimony as may be requested by Chancellor's Office.

**9. Confidentiality of Data and Reports**

- a. To the extent permissible by law, Contractor will not disclose data or disseminate the contents of the final or any preliminary report without the express written permission of the Project Monitor.
- b. Permission to disclose information on one occasion or at public hearings held by the Chancellor's Office relating to the same shall not authorize Contractor to further disclose such information or disseminate the same on any other occasion.
- c. Contractor will not comment publicly to the press or any other media regarding its report, or the actions of the Chancellor's Office on the same, except to the extent that the media may report on comments made by Contractor, at the request of



**EXHIBIT D  
(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

the Project Monitor, at a public hearing, or in response to questions from a legislative committee.

- d. If requested by Chancellor's Office, Contractor shall require each of its employees or officers who will be involved in the performance of this Agreement to agree to the above terms in a form to be approved by Chancellor's Office and shall supply Chancellor's Office with evidence thereof.
- e. Each subcontract shall contain provisions similar to the foregoing related to the confidentiality of data and nondisclosure of the same.

**10. Provisions Relating to Data**

- a. "Data" as used in this Agreement means recorded information, regardless of form or characteristic, of a scientific or technical nature. It may for example, document research or experimental, developmental or engineering work, or be used to define a design or process or to support a premise or conclusion asserted in any deliverable document called for by this Agreement. The data may be graphic or pictorial delineations in media, such as drawings or photographs, charts, tables, mathematical models, collections or extrapolations of data or information, etc. It may be in machine form such as punched cards, magnetic tape or computer printouts, or may be retained in computer memory.
- b. "Proprietary data" is such data as the Contractor has identified in a satisfactory manner as being under Contractor's control prior to commencement of performance of this Agreement, and which Contractor has reasonably demonstrated as being of a proprietary nature either by reason of copyright, patent or trade secret doctrines in full force and effect at the time when performance of this Agreement is commenced. The title to "proprietary data" shall remain with the Contractor throughout the term of this agreement and thereafter. As to "proprietary data," the extent of Chancellor's Office access to the same and the testimony available regarding the same shall be limited to that reasonably necessary to demonstrate in a scientific manner to the satisfaction of scientific persons the validity of any premise, postulate or conclusion referred to or expressed in any deliverable hereunder.
- c. "Generated data" is that data which a Contractor has collected, collated, recorded, deduced, read out or postulated for utilization in the performance of this Agreement. Any electronic data processing program, model or software system developed or substantially modified by the Contractor in the performance of this Agreement at the expense of the Chancellor's Office, together with complete documentation thereof, shall be treated hereunder in the same manner as "generated data." "Generated data" shall be the property of the Chancellor's Office unless and only to the extent that it is specifically provided otherwise herein.
- d. "Deliverable data" is that data which under the terms of this Agreement is required to be delivered to the Chancellor's Office and shall belong to the Chancellor's Office.



**EXHIBIT D  
(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

- e. As to "generated data" which is reserved to Contractor by the express terms hereof and as to any preexisting or "proprietary data" which has been utilized to support any premise, postulate or conclusion referred to or expressed in any deliverable hereunder, Contractor shall preserve the same in a form which may be introduced as evidence in a court of law at Contractor's own expense for a period of not less than three years after receipt by the Chancellor's Office of the final report herein.
- f. Prior to the expiration of such time and before changing the form of or destroying any such data, Contractor shall notify the Chancellor's Office of any such contemplated action and Chancellor's Office may, within thirty (30) days after said notification, determine whether it desires said data to be further preserved. If Chancellor's Office so elects, the expense of further preserving said data shall be paid for by the Chancellor's Office. Contractor agrees that Chancellor's Office may at its own expense have reasonable access to said data throughout the time during which said data is preserved. Contractor agrees to use his or her best efforts to furnish competent witnesses or to identify such competent witnesses to testify in any court of law regarding said data.

**11. Ownership of Data And Reports**

Data developed for this Agreement shall become the property of the Chancellor's Office. It shall not be disclosed without the permission of the Project Monitor. Each report shall also become the property of the Chancellor's Office and shall not be disclosed except in such manner and such time as the Project Monitor may direct or as provided in section 7 of this exhibit.

**12. Approval of Products and Deliverables**

- a. Each deliverable to be provided under this Agreement shall be submitted to and approved by the Project Monitor. All products, documents and published materials, including multimedia presentations, shall be approved by the Project Monitor prior to distribution.
- b. All products resulting from this Agreement or its subcontracts in whole or in part shall reference the Chancellor's Office, California Community Colleges and the specific funding source.
- c. All references to the project shall include the phrase, "funded in part by the Chancellor's Office, California Community Colleges."

**13. Waiver**

No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach. All remedies afforded in this Agreement shall be taken and construed as cumulative; that is, in addition to every other remedy provided therein or by law. The failure of the Chancellor's Office to enforce at any time any of the provisions of this Agreement, or to require at any time performance by Contractor of any of the provisions thereof, shall in no way be construed to be a waiver of such provisions nor in



**EXHIBIT D  
(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

any way affect the validity of this Agreement or any part thereof or the right of Chancellor's Office to thereafter enforce each and every such provision.

**14. Work by Chancellor's Office Personnel**

Staff of the Chancellor's Office will be permitted to work side by side with Contractor's staff to the extent and under conditions that may be directed by the Project Monitor. In this connection, staff of the Chancellor's Office will be given access to all data, working papers, subcontracts, etc., which Contractor may seek to utilize.

Contractor will not be permitted to utilize staff of the Chancellor's Office for the performance of services that are the responsibility of Contractor unless such utilization is previously agreed to in writing by the Project Monitor, and any appropriate adjustment in price is made. No charge will be made to Contractor for the services of employees of the Chancellor's Office while performing, coordinating or monitoring functions.

**15. Changes in the Timing of Performance of Tasks**

Contractor may not change the timing for performance of the tasks, as reflected in the written Project Authorization signed by the parties for the specific project in question, without the written approval of the Project Monitor. The date for completion of the Agreement and the total Agreement price, as well as all other terms not specifically excepted, may only be altered by formal amendment of this Agreement.

**16. Travel and Per Diem**

- a. For travel necessary to the performance of this Contract, Grantee travel and other expense reimbursement claims shall be governed by the travel policy and procedures adopted by the Contractor's governing board. Travel and other expenses shall be limited to those necessary for the performance of this contract.
- b. Travel outside the State of California shall not be reimbursed without the prior written authorization of the Project Monitor, or unless otherwise expressly so provided in the terms of this Agreement.
- c. Contractor must use the Contractor's formally printed invoice or letterhead, and must sign and date the claim prior to submission to the Chancellor's Office for payment.
- d. Itemized invoices, prepared in triplicate, stating Agreement number and social security number or federal identification number, shall be submitted to:

Accounting Unit  
Chancellor's Office  
California Community Colleges  
1102 Q Street  
Sacramento, CA 95811-6549



**EXHIBIT D**  
**(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

**17. Captions**

The clause headings appearing in this agreement have been inserted for the purpose of convenience and ready reference. They do not purport to and shall not be deemed to define, limit, or extend the scope or intent of the clauses to which they appertain.

**18. Accessibility for Persons with Disabilities**

By signing the Contractor's Certification (Chancellor's Office form CCC-1005, attached hereto as Exhibit H), Contractor agrees to comply with the Americans with Disabilities Act (ADA) of 1990 (42 U.S.C. §§ 12101 et seq.), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA. In addition, by signing this Agreement, Contractor further agrees to the following:

- a. Contractor shall, upon request by any person, make any materials produced with funds pursuant to this Agreement available in braille, large print, electronic text, or other appropriate alternate format. Contractor shall establish policies and procedures to respond to such requests in a timely manner.
- b. All data processing, telecommunications, and/or electronic and information technology (including software, equipment, or other resources) developed, procured, or maintained by Contractor, whether purchased, leased or provided under some other arrangement for use in connection with this Agreement, shall comply with the regulations implementing Section 508 of the Rehabilitation Act of 1973, as amended, set forth at 36 Code of Federal Regulations, part 1194.
- c. Design of computer or web-based materials, including instructional materials, shall conform to guidelines of the Web Access Initiative (see <http://www.w3.org/TR/WAI-WEBCONTENT/>) or similar guidelines developed by the Chancellor's Office.
- d. Contractor shall respond, and shall require its subcontractors to respond to and resolve any complaints regarding accessibility of its products and services as required by this section.
- e. Contractor and its subcontractors shall indemnify, defend, and hold harmless the Chancellor's Office, its officers, agents and employees, from any and all claims by any person resulting from the failure to comply with the requirements of this section.
- f. Contractor shall incorporate the requirements of this section into all subcontracts.

**19. Eligibility for Noncitizens**

Funds provided under this Agreement shall only be used to employ, contract with, or provide services to citizens of the United States or noncitizens who are eligible to receive public benefits pursuant to Section 401 (with respect to federally funded activities) or Section 411 (with respect to state funded activities) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193, codified at 42 U.S.C. §§ 601



**EXHIBIT D  
(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

and 611, respectively). Contractor certifies that all of its employees and/or subcontractors are qualified pursuant to these provisions.

**20. Performance Evaluation**

If this Agreement involves Consultant Services, the performance of the Contractor shall be evaluated by the Project Monitor on a "Contract/Contractor Evaluation" form Std. 4. If the performance is unsatisfactory, the Contractor will be allowed to prepare a statement defending Contractor's performance. This statement must be received by the Project Monitor within thirty (30) days after Contractor's receipt of the evaluation.

The evaluation form and any related material will be kept on file at the Chancellor's Office.

**21. Commissions and Contingency Agreements**

The Contractor warrants by execution of this Agreement, that no person or selling agency has been employed or retained to solicit or secure this Agreement upon agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the Chancellor's Office shall, in addition to other remedies provided by law, have the right to annul this Agreement without liability, paying only for the value of the work actually performed, or otherwise recover the full amount of such commission, percentage, brokerage, or contingent fee.

**22. Licenses and Permits**

If the Contractor is an individual, firm or corporation, Contractor must be licensed to do business in California and shall obtain at his/her/its expense all license(s) and permit(s) required by law for accomplishing any work required in connection with this Agreement.

If you are a Contractor located within the State of California, a business license from the city/county in which you are headquartered is necessary, however, if you are a corporation, a copy of your incorporation documents/letter from the Secretary of State's Office can be submitted. If you are a Contractor outside the State of California, you will need to submit to the Chancellor's Office a copy of your business license or incorporation papers for your respective state showing that your company is in good standing in that state.

In the event, any license(s) and/or permit(s) expire at any time during the term of this Agreement, Contractor agrees to provide the Chancellor's office with a copy of the renewed license(s) and/or permit(s) within thirty (30) days following the expiration date. In the event the Contractor fails to keep in effect at all times all required license(s) and permit(s), the Chancellor's Office may, in addition to any other remedies it may have, terminate this Agreement upon occurrence of such event.



**EXHIBIT D**  
**(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

**23. Standards of Conduct**

In addition to the Conflicts of Interests provisions in the Contractor's Certification (Chancellor's Office form CCC-1005, attached hereto as Exhibit H), Contractor hereby assures that, in administering this Agreement, it will comply with the standards of conduct hereinafter set out, as well as the applicable state laws concerning conflicts of interests, in order to maintain the integrity of the Agreement and to avoid any potential conflicts of interests in its administration.

- a. Every reasonable course of action will be taken by Contractor in order to maintain the integrity of this expenditure of public funds and to avoid any favoritism or questionable or improper conduct. The Agreement will be administered in an impartial manner. The Contractor, and its officers and employees, in administering this Agreement, will avoid situations which give rise to a suggestion that any decision was influenced by prejudice, bias, or special interest.
- b. Conducting Business with Relatives. No relative by blood, adoption, or marriage of any officer or employee of Contractor will receive favorable treatment in the award of subcontracts or in educational or employment opportunities funded by this Agreement.
- c. Conducting Business Involving Close Personal Friends and Associates. In administering this Agreement, officers and employees of Contractor will exercise due diligence to avoid situations which may give rise to an assertion that favorable treatment is being granted to friends and associates.
- d. In the interest of avoiding conflicts of interests involving friends or associates of Chancellor's Office employees, in administering this Agreement, officers and employees of Contractor will exercise due diligence to avoid situations which may give rise to an assertion that favorable treatment is being granted to friends and associates of Chancellor's Office employees.
- e. Contractor shall not enter into any subcontract of the types described below and any such agreement which may be executed is null and void and of no force or effect.
  1. A former state employee (including a Chancellor's Office employee, or a district employee who worked for the Chancellor's Office on an Interjurisdictional Exchange (IJE)) cannot enter into a subcontract under this Agreement with Contractor if that employee was engaged in the negotiations, transactions, planning, arrangements or any part of the decision-making process relevant to this Agreement while employed by the state. (Gov. Code, §§ 1090, et seq., 87100, and 87400 et seq.; Cal. Code Regs., tit. 5, §§ 18741.1 and 18747.)
  2. A current state employee (including a current Chancellor's Office employee or district employee working for the Chancellor's Office on an Interjurisdictional Exchange (IJE)) cannot enter into a subcontract with Contractor, with the exception of rank-and-file employees of the



**EXHIBIT D  
(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

California State University and the University of California. (Pub. Contr. Code, § 10410.)

3. The spouse or immediate family of a current Chancellor's Office employee (including a current Chancellor's Office employee or district employee working for the Chancellor's Office on an Interjurisdictional Exchange (IJE)) may not enter into a subcontract with Contractor if the Chancellor's Office employee or person on an IJE was engaged in the negotiations, transactions, planning, arrangement or any part of the decisionmaking process relevant to this Agreement or the subcontract, or had any influence whatsoever in the making of this Agreement or the subcontract. (Gov. Code, §§ 1090, et seq.; and 87100.)

**24. Follow-on Contracts**

- a. By signing this Agreement, Contractor certifies that neither the Contractor nor any of its affiliates or subcontractors previously received a consulting services contract from the Chancellor's Office which resulted in a recommendation by Contractor, its affiliates or subcontractors for the provision of services, procurement of goods or supplies, or any other related action which is now to be provided or performed under this Agreement. (Pub. Contr. Code, § 10365.5.)
- b. For purposes of this section, "affiliates" are employees, directors, partners, joint venture participants, parent corporations, subsidiaries, or any other entity controlled by, controlling, or under common control with the Contractor. Control exists when an entity owns or directs more than fifty percent (50%) of the outstanding shares or securities representing the right to vote for the election of directors or other managing authority.
- c. Should the Chancellor's Office determine, at any time, that the certification contained in paragraph a. is false or inaccurate, the Chancellor's Office may deem contractor to be in breach of this Agreement and may terminate the Agreement as provided in the Termination provisions of section 6.c. of Exhibit C to the Agreement. However, to the extent permissible by law, the Chancellor's Office or its designee, may waive the restrictions set forth in this section by written notice to the Contractor if the Chancellor's Office determines their application would not be in the best interest of the Chancellor's Office.
- d. Except as prohibited by law, the restrictions of this section will not apply to a Contractor, including any person, firm, or affiliate, that is awarded a subcontract of a consultant services contract which amounts to no more than 10 percent of the total monetary value of the consultant services contract.
- e. The restrictions set forth in this section are in addition to conflict of interest restrictions imposed on public Contractors by California law. In the event of any inconsistency, such conflict of interest laws override the provisions of this section, even if enacted after execution of this Agreement.



**EXHIBIT D**  
**(Standard Agreement)**

**SPECIAL TERMS AND CONDITIONS**

**25. Relationships with Colleges Being Reviewed**

Contractor shall require all employees, consultants, and subcontractors to disclose any employment or contractual relationships they may have with any college district being investigated, reviewed or audited under this contract. Such relationships are prohibited and shall be promptly terminated unless, after being fully informed of the circumstances, the Project Monitor determines that the services being provided to the college by the employee, consultant, or contractor are above and beyond or unrelated to those provided under this Agreement.

**26. Safety and Accident Prevention**

In performing work under this Contract on the premises of the Chancellor's Office, Contractor shall conform to any specific safety requirements contained in the Contract or as required by law or regulation. Contractor shall take any additional precautions as the Chancellor's Office may reasonably require for safety and accident prevention purposes. Any violation of such rules and requirements, unless promptly corrected, shall be grounds for termination of this Contract in accordance with the default provisions hereof.