Lassen Community College District

Management Review

January 6, 2006

Table of Contents

Preface

On September 28, 2005, Governor Schwarzenegger signed into law AB 1366 (Lieber, D-Mountain View), which enhances fiscal accountability in higher education by authorizing the Board of Governors of the California Community Colleges or a community college district to request the Fiscal Crisis and Management Assistance Team (FCMAT) to assist a community college in need of fiscal management review. AB 1366 will expand FCMAT's role in assisting the California Community College Districts effective January 1, 2006.

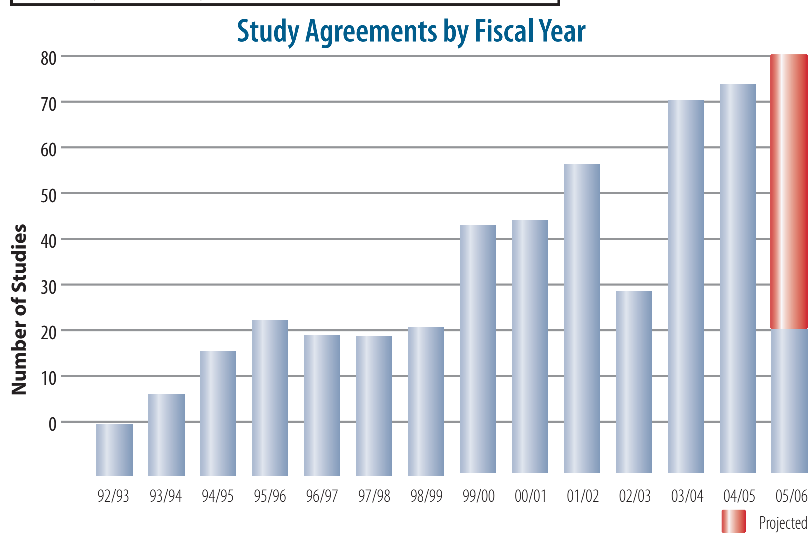
FCMAT was enacted by legislation through AB 1200 in 1991 and was envisioned as a service to assist local educational agencies with compliance in fiscal accountability standards. AB 1200 was established from a need to ensure that local educational agencies throughout California are adequately prepared to meet and sustain their financial obligations. AB 1200 is 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. AB 1200 legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure districts can meet their financial commitments on a multiyear basis. Since 1992, FCMAT has been engaged to perform more than 500 reviews for local educational agencies, including school districts, county offices of education and community colleges, with tasks ranging from fiscal crisis intervention to management review and assistance. FCMAT is administered by the Kern County Superintendent of Schools Office and is funded with state budget appropriations and a modest fee schedule for charges to requesting agencies.

Total Number of Studies 530
Total Number of Districts in CA 982

Management Assistance	481	(90.8%)
Fiscal Crisis/Emergency	42	(7.9%)
Emergency Loan	7	(1.3%)

Note: Some districts had multiple studies

(Rev. 11/14/05)

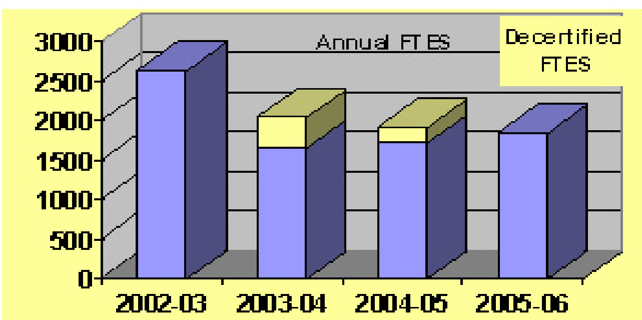


Introduction

On June 23, 2005, the President of Lassen California Community College, requested the Fiscal Crisis and Management Assistance Team (FCMAT) to conduct a fiscal health analysis of the Lassen Community College District. This report contains the district's fiscal health analysis and includes findings and recommendations intended to assist in retaining the fiscal solvency of the college.

Lassen Community College is located in Susanville in northeastern California. The college was established in 1925, with classes held on the Lassen High School campus. Due to increasing enrollment, a new facility was constructed next to the high school campus in 1945. In 1965, the Lassen Community College District was established, a Board of Trustees was elected, and the planning of a new campus was begun. The 165-acre campus opened in 1971 in its current location on Highway 139.

In part due to the geographical location of the college, enrollment has declined significantly over the past three years.



Compounding the issue of declining enrollment, the California Community College Chancellor's Office conducted a Minimum Conditions Complaint and Apportionment Review, resulting in findings that may require Lassen Community College to repay the state $1.7 million pending the final outcome of the review. The review reports that Lassen College violated various minimum conditions for receipt of state aid and other requirements for claiming state apportionment funding. The review period extended from the summer term of 2003 through the spring term of 2005, and estimates by college staff identified approximately 283.21 credit and 295.24 non-credit full-time-equivalent students (FTES) that may be decertified. The Chancellor's Office has indicated that any repayment requirements resulting from the Minimum Conditions Complaint and Apportionment Review may be repaid over multiple years. However, the final outcome and repayment schedule have not been determined as of this date.

Scope of Study

The scope of work as defined in the study agreement is as follows:

1. Conduct a fiscal health analysis based on the projected unaudited actuals for the 2004-05 fiscal year.
2. Provide an audit of the college foundation for fiscal years 2002-03 and 2003-04. (The 2004-05 audit of the foundation will be completed by Nystrom and Company and is not part of this scope.)
3. Review the organizational staffing of the college Business Office.
4. Evaluate the proposed implementation plan of Datatel software for the college's student and financial software.
5. Conduct a review of the Lassen Community College actions and response to the Minimum Conditions Complaint and Review of Apportionment Claims, and provide recommendations leading to the completion of the process for improvements.

The study agreement is attached to this report as Appendix A.

Study Guidelines

The study process consisted of the following major elements:

- Review of documents provided by the district, the State Chancellor's Office and other agencies, and discovered during the field work of the team.
- Interviews with college personnel and other key individuals.
- Observations of college practices compared to industry standards. Team members visited the offices of college staff to observe work flow, record retention and staff interactions.
- Team meetings to share information and concerns.

FCMAT's work started August 15, 2005. An initial document request to the college was developed, and background material from the extensive analysis done by the State Chancellor's Office was compiled and shared with team members. Site visits began on August 15, 2005. Each team member developed the on-site data collection and interview schedules necessary for their report category. Several on-site and telephone conference meetings were held by the team.

Throughout this study effort, the cooperation of district staff was outstanding. The Lassen Community College District staff participated in this project through interviews and data collection, and showed a genuine interest in seeing that improvements are made in access and service to students.

Study Team

The study team was composed of the following members:

Joel Montero
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Fiscal Crisis and Management
Assistance Team
Petaluma, California

Anthony Bridges
Chief Management Analyst
Fiscal Crisis and Management
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Atascadero, California

John E. Hendrickson
Retired Vice Chancellor,
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Laura Haywood
Public Information Specialist
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Barbara Dean
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Contra Costa Community College
Martinez, California

Sheila Bua
Director of Management Consulting
School Services of California
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Linda Saddlemire, CPA
Partner
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Glendora, California

*As a member of this team, this consultant was not representing his employer, but was performing consultant functions solely as an independent contractor for FCMAT.

Executive Summary

Enrollment at the college has been declining. Programs have been developed to increase enrollment and full-time equivalent students (FTES), and the college now verifies compliance with apportionment rules before implementing new programs. The college must critically evaluate its programs, classes, and number of sections offered to determine the demand for each class and its short- and long-term viability. Additional outlets for publicizing its programs, such as posting its catalogue on its Web site, must be utilized. Better management is needed of its weekly student contact hours per full-time equivalent faculty member (WSCH/FTEF). More aggressive pursuit of delinquent student accounts must be implemented.

FCMAT reviewed the findings of the Community College Chancellor's Office Minimum Conditions Complaint Investigation and Apportionment Review Preliminary Findings and Conclusions to determine whether the college has made progress with regard to the Chancellor's findings. Many of the issues raised in this document are still being reviewed and were not concluded during FCMAT's fieldwork. Some hiring processes have been improved, and faculty-to-student ratios are now being monitored to ensure they are reasonable. The dissemination of course information still needs improvement, particularly on the college's Web site. Improper apportionment claims appear to have been corrected, but attendance accounting procedures are still ineffective. The role of the foundation and its relationship to the college must be clarified in writing.

The review period for the Minimum Conditions Complaint and Apportionment Review extended from the summer of 2003 through the end of the 2004-05 fiscal year. The review process identified an estimated $1.7 million in apportionment funding that the college either previously adjusted through the annual apportionment recalculation process or may still owe to the state for FTES determined to be ineligible for apportionment. The Chancellor's Office confirmed that the district has already made or has committed to make adjustments amounting to approximately $600,000 for FTES subsequently determined to be ineligible for apportionment. Furthermore, this amount can be expected to increase as additional amounts are ultimately determined to be ineligible after the district has provided all available records to the system office.

The college is projected to end the 2005-06 fiscal year with approximately $472,124 in deficit spending in the unrestricted component of the general fund. There were no provisions included in the 2005-06 budget for the additional potential liability created by the revision of decertified FTES reported. Combined with the approximately $1.7 million apportionment repayment and the bookstore and cafeteria loans, this potentially could all but eliminate the college's general fund reserves. The $1.7 million estimate was determined by the college, and the Chancellor's Office has not yet determined a final amount. The Chancellor's Office has indicated that any remaining liability from the review process may be repaid over multiple years. However, the outcome and repayment schedule has yet to be determined. Immediate corrective action must be taken to maintain the required reserves.

The bookstore, the cafeteria, and the dormitory all have had deficit fund balances in recent years that have required significant borrowing from the general fund. While the dormitory fund has rebounded and may be able to repay its loan, the bookstore and cafeteria will likely have continued operating deficits and will be unable to repay their loans in the near future. Staff or outside expertise should be brought in to restore financial stability to these areas.

The college must have contingency plans to successfully manage its resources in times of financial crisis. It should avoid deficit spending except for acute and immediate needs. A multiyear plan should be developed to address the apportionment repayment due to the state and to address bargaining unit proposals and negotiations.

Management of the college's assets has been impeded by a lack of internal controls in several areas. The college was extremely late in issuing a request for proposals for its external audit services for the 2004-05 financial audit. Key management positions are vacant or operating with interim appointments. There appear to be no regularly scheduled staff meetings for either top management or the departments. There is no standard process for evaluating managers. Purchasing practices lack accountability and do not offer sufficient options. The method of assessing and collecting student fees is antiquated. The maintenance of vendor files in the Business Office is not an appropriate segregation of duties, and should be moved to Purchasing. Vacation balances need closer monitoring to control the college's liability for the accrued time.

The collective bargaining negotiations team should be expanded and management representatives consulted to assist the team in developing negotiating strategies and goals. The Business Office should evaluate the cost impacts of all issues discussed during negotiations. The classified salary schedule has approximately twice as many steps as a typical schedule, and should be assessed for its long-term cost effects.

The Business Office is physically isolated from most other college services and administrators. It should be relocated so it may perform its functions more efficiently and effectively. The number of positions in the department appears to be appropriate, but the workload should be redistributed more equitably and to more accurately reflect the duties of each job position.

The college has purchased a new software application for its financial and student information. The budgeting, accounting, and purchasing portions of the system have been implemented, with remaining functions to be phased in over the next year. It is very difficult to monitor budget-to-actual expenditures during this interim period. Staff members believe they need much more training on the new system, which is not yet being effectively used as a management and control tool. The college is substantially late with the time line recommended by the software company, and does not have a clear implementation plan for the installation or conversion processes.

The college's potential fiscal shortfalls should be addressed through an analysis of all college instructional and support program costs. A two-year budget plan for the 2005-06 and 2006-07 fiscal years, showing realistic revenue projections, should be developed to assist the college in retaining fiscal solvency.

Evaluation of Budgetary Practices

Budget Development

Budget development should be a dynamic process that integrates the educational goals of the college within a finite amount of revenue. The budget is a policy document, as well as a fiscal document, that allocates limited and valuable resources to best meet the identified educational goals. It establishes the expenditure practices of the college and provides the budget blueprint for management and staff to follow during the year. It is the single most important policy document over which the board exercises control. The budget reflects the real priorities of the college through what it funds or does not fund.

The budget should align with the college strategic plan to bring about the changes in emphasis and priorities for the fiscal year. This means that the strategic plan and goals and objectives must be developed or updated before the budget is adopted, preferably no later than January of each year, so that the budget for the following year can reflect the decisions made.

To serve as a useful management tool, the budget must be based on:

- Accurate data
- Budget guidelines that embody the educational and financial goals and plans of the college
- Assumptions that reflect the best information available

Budget development must include a collaboration of all the parties that are ultimately responsible for the college's educational and financial performance. This should include input from and participation by Governing Board members, the President, cabinet members, academic and classified leadership, district business officials, department heads and program directors, and the educational staff.

The review of the budget development process included interviews with key personnel and a review of budgets, quarterly financial reports, and audited financial statements for the past two years. The team also reviewed position control processes and calculations of salary and benefit costs.

The college does not appear to conduct strategic planning and goal setting activities, and staff members in the Business Office are not generally aware of a strategic planning process. Board members and staff members periodically express visions and goals, but they are not discussed and documented as part of an overall planning process, and are not tied to items in the budget reviewed by FCMAT.

Strategic planning and goal setting processes should be implemented to encompass a three-year budget plan with overall goals. Each of the goals should have identified objectives to be accomplished within the current budget year, with each objective assigned to an administrator or manager who is responsible for achieving it. Each objective can then be correlated with items in the budget for the next fiscal year. This planning must be completed in time for inclusion in the budget that will be developed for the following year.

Operational managers should be more involved in budget development. Instead, the prior year budgets are provided to the President, who makes the determination of whether or not an individual department budget needs to be increased or decreased. Program managers work with the Dean of Administrative Services to develop the categorical program budgets.

There is little formal documentation of the budget development process itself or how information and assumptions are obtained or developed. In addition, there is little cross-training of Business Office staff, and most calculations and analyses are performed by the Dean and the President.

These budgetary responsibilities should instead be distributed across the college's departments and programs. Managers should prepare and submit their individual department or program budgets based upon the college's current goals, priorities and updated costs. Rollover of base budgets should be avoided. The identification of specific goals helps to foster accountability and keeps managers and staff focused on the college's priorities. This format also provides a monitoring and evaluation tool that gives the President objective criteria to use in evaluating department managers.

Administrative Services should have a technical process for building the preliminary budget that outlines the basic tasks to be performed and the responsible staff member(s). Standardized budget worksheets should be used to communicate budget requests, budget allocations, formulas applied, and guidelines. Procedures should be identified for the computations that need to be made, the assumptions that need to be developed, the sources of pertinent information, and the underlying logic for items such as:

- Revenue forecasts, including reasonable FTES and COLA estimates
- Expenditure verification and projection
- Identification of known carryovers and accruals
- Identification of one-time sources and uses of funds

This budget development process should be followed for each of the funds maintained by the college. Business Office staff should be included in the budget development process and cross-trained so that the budget development knowledge is decentralized.

As previously mentioned, the President makes adjustments on the summary budget to individual department budgets. The summary budget is then submitted to the board for approval. The board-approved version of the budget then must be translated by the Dean into adjustments to detailed line items before being entered into the financial system.

The budget development process lacks the typical planning element that normally begins in February to provide ample time for appropriate analysis and adjustments before the tentative budget is adopted in June. A budget calendar and/or detailed time lines should guide the process. The calendar should detail activities, events, and time lines, and specify who is responsible for each activity. It should include updates to the board, college staff, and community when the January Governor's Budget, the May revise, and the final state budget are issued.

No documentation of cash flow projections was found at any stage of the budget development and monitoring cycle.

Recommendations

The college district should:

1. Develop a strategic planning and goal setting process that encompasses a rolling three-year plan with overall goals.

2. Develop goals and priorities for each functional area, department, and program.

3. Develop a budget calendar that reflects all of the key dates and events that will be part of the budget development process.

Budget Assumptions and Guidelines

Consensus from the Governing Board and management on budget assumptions and guidelines helps to ensure that the budget is prepared in a rational, fair, and timely manner. Budget assumptions and guidelines provide the tools with which the preliminary budget can be prepared. Such assumptions should include:

- Projected enrollment
- Projected revenues
- Expected cost-of-living (COLA) increases for the state apportionment and categorical programs
- Anticipated or projected pay or benefit changes
- The cost of step and column salary schedule movement

- Certificated and classified employee retirements that may mitigate costs for salary schedule movement
- Assumed cost increases in health benefits, workers compensation insurance, supplies, utilities and other commodities
- Anticipated changes in class sizes or programs, such as the closing of programs without sufficient demand or the implementation of new programs and their effects on the budget
- Anticipated change in local match requirements or contributions to restricted programs
- Negotiated changes in employee benefit levels
- Any changes in post-employment benefits
- An estimate of the current-year projected ending balance
- Projected carryovers of restricted funds
- Any planned addition to or reduction of the college's reserves
- Any other known conditions affecting the financial status of the college

Staffing projections for instructional programs and other personnel costs are key elements of the budget. FTES management is essential to producing an accurate budget for a community college.

Management has to balance its growth cap against the ability to grow, which may be limited by student demand, facilities, the configuration of instructional staff, and many other factors. For colleges with declining FTES, the typical objective is to schedule sufficient courses and staffing to meet student demand without over committing resources. Assumptions regarding FTES and staffing are critical to a sound community college budget.

The college provides minimal key assumptions for major revenue and expenditure items in its budget document. These assumptions are prepared centrally and are not shared with the board until the tentative budget is adopted. The budget presentation commingles general ledger components with budget figures, making the document difficult to comprehend.

Specific budget assumptions and guidelines should be developed by the President and management, approved by the Governing Board, and then communicated to major stakeholders, including the community and faculty and staff leadership. Each manager should receive this information, along with their budget worksheets.

The college's stated assumptions for development of the budget should include all of the items specified above. In its next budget revision, the college should include the liability for state apportionment due to the state (because of the reduced FTES reporting for previous years) and the anticipated changes in FTES for the current year based upon fall semester enrollment and anticipated course offerings and enrollments for next spring and summer.

For the 2003-04 and 2004-05 years, the FTES certification previously reported to the state was revised downward for courses that were found to be ineligible for apportionment. The 2005-06 budget was developed with deficit spending of about $472,124 for the unrestricted component of the general fund. There was no provision for the potential liability created by the revision of decertified FTES reported in 2003-04 and 2004-05. It is very probable that the college owes an estimated $1.7 million in apportionment funds to the state for these two years. The Chancellor's Office has indicated that this liability may be paid off over multiple years; however, the outcome and repayment schedule has yet to be determined.

The expected increase in FTES for the new correspondence classes that were added to existing course offerings in the Administration of Justice and Correctional Science programs was not included in the tentative 2005-06 budget. The college began the program in the 2004-05 fiscal year with good participation, but did not include any increase in FTES for 2005-06 even though several more sections are being provided.

At the time of FCMAT's fieldwork, after the tentative budget was approved, the college had become aware that the number of part-time students registering for the fall was significantly below the number registered at the same time the previous year. Participation in summer programs also was well below that of previous years: 60 FTES as compared to 250. Part of this decline could be attributed to SB 338 and the college no longer providing instructional offerings in PE 179.

Department chairs (if they are reinstated) or the Dean of Instruction should be responsible for monitoring and controlling growth/decline and the costs of growth/decline within the instructional departments. If instructional managers have the authority to make decisions on class offerings and staffing, they should be responsible for the associated budgets.

Recommendations

The college district should:

1. Develop specific budget assumptions and guidelines that are approved by the Governing Board and communicated to major stakeholders.

2. Include the estimated liability for the state apportionment due to the state in its next budget revision.

3. Hold the Dean of Instruction or department chairs responsible for monitoring and controlling growth or decline and related costs within the instructional departments.

Multiyear Financial Projections

The use of multiyear financial planning promotes long-term fiscal stability. FCMAT measures performance in this area by examining (1) the accuracy of financial projections, (2) the process for updating projections when assumptions change, and (3) how projections are used to make decisions. Financial planning should include the current year budget, short- and long-range capital expenditure plans, and other long-term goals of the college. The use of multiyear financial projections is an important tool for long-range financial planning, as they show the impact of current management decisions into the college's future. The multiyear projection should be made available to the board and the public in an understandable format to provide opportunities for informed input and comment by the Governing Board, staff, and public.

The college does not prepare comprehensive multiyear financial projections to determine the impact of current spending patterns on future years. While historically this has not been unusual for community college districts, with the current financial condition of the college and the state, as well as the decline in FTES and resulting declining state apportionment revenues, the need for multiyear projections is even more critical.

The college's Business Office should prepare multiyear projections that are modified several times during the year. The college should formalize these projections in the overall budget review process to ensure that its budget is fiscally stable both in the short term and long term. If the college is negotiating with bargaining units, these projections need to provide a basis for the "what if" scenarios that arise. Multiyear projections should be based on information such as:

- Demographic trends to project enrollment and FTES patterns
- Historical information, economic analysis, and financial indicators prepared by the state, universities, and private entities to project FTES and other revenue and expenditure data
- Program and legislative information to estimate revenues for categorical programs
- Expenditure assumptions as provided for in contracts with bargaining units, vendors, health benefit providers, and other sources

The bookstore, the cafeteria, and the dormitory all have had deficit fund balances in recent years that have required significant borrowing from the general fund. While the dormitory fund has rebounded and may be able to repay its loan, the bookstore and cafeteria will likely have continued operating deficits, and unless corrective measures are employed, may be unable to repay their loans in the near future. Temporary loans on the balance sheet of the bookstore increased to $213,471, and $140,722 for the cafeteria. Staff or outside expertise should be brought in to restore financial stability to these areas.

The college is expected to end the 2005-06 year with approximately $472,124 in deficit spending in the unrestricted component of the general fund. Combined with the approximately $1.7 million apportionment repayment and the potential elimination of bookstore and cafeteria loans, this would all but eliminate the college's general fund reserves. While the college continues to maintain the state-required 5% reserve, immediate corrective action should be taken to maintain the required reserve levels and financial solvency of the college.

Multiyear projections can significantly reduce the college's risk for unexpected budget problems. The table on the next page demonstrates the district's 2004-05 unaudited actuals compared to the 2005-06 projected budget. A detailed analysis is included as Appendix B. The 2005-06 budget utilizes system generated reports as of October 17, 2005.

Recommendations

The college district should:

1. Prepare and continually update multiyear projections to ensure present and future fiscal stability.

2004-05 Unaudited Actuals* vs. 2005-06 Projected Budget

Lassen Community College General Fund	2004-05 Unaudited Actuals			2005-06 Projected Budget		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
Revenues						
Federal Revenue	138,707	1,098,962	1,237,669	138,200	843,865	982,065
State Revenue	10,170,258	1,643,050	11,813,308	9,280,655	1,497,572	10,770,267
Local Revenue	2,426,039	53,626	2,479,665	2,299,389	00	2,299,849
Total Revenues	12,735,004	2,795,638	15,530,642	11,718,244	2,341,437	14,052,181
Expenditures						
Academic Salaries	4,812,341	410,416	5,222,757	4,536,161	385,323	4,921,484
Classified Salaries	2,500,291	903,527	3,403,818	2,150,259	644,126	2,794,385
Employee Benefits	2,637,471	322,956	2,960,427	2,669,362	264,212	2,933,574
Books and Supplies	352,201	74,274	426,475	413,894	17,727	431,621
Services, Other Operating Exp.	2,365,624	289,626	2,655,250	2,181,685	752,503	2,934,188
Capital Outlay	137,501	534,571	672,072	195,507	230,723	426,230
Total Expenditures	12,805,429	2,535,370	15,340,799	12,146,868	2,294,614	14,441,482
Excess (Deficiency)	(70,425)	260,268	189,843	(428,624)	46,823	(381,801)
Other Outgo	(162,239)	(202,608)	(364,847)	(43,500)	(46,823)	(90,323)
Net Fund Balance Increase\ Decrease	(222,960)	57,660	(165,300)	(472,124)	00	(472,124)
Fund Balance						
Beginning Balance as of July 1	2,549,511	(215,215)	2,334,296	2,226,212	(157,555)	2,068,657
Audit Adjustments	(100,339)		(100,339)			
Adjusted Beginning Balance	2,449,172	(215,215)	2,233,957	2,226,212	(157,555)	2,068,657
Ending Balance as of June 30	2,.226,212	(157,555)	2,258,953	1,754,088	(157,555)	1,596,533

* Source: Unaudited Actuals as of October 20, 2005

Budget Monitoring and Revisions

The college must have the ability to accurately reflect revenues, expenditures, and its net ending balance throughout the year. It should have tools and processes that ensure an early warning of any discrepancies between the budget projections and actual revenues or expenditures. Therefore, revenue and expenditures should be forecast and verified monthly.

Budget monitoring controls, such as periodic budget and actual reports, are necessary to foster accountability among management staff and to alert department and program managers, the Business Office, the Dean of Administrative Services, and the President of the potential for revenue shortfalls or expenditure overruns. The budget monitoring process should allow the college to prepare monthly budget reports, which provide valid updates of the net ending balance. The college should have a formal system to authorize budget transfers and revisions during the year, so that expenditures are appropriately authorized and the budget reflects actual revenues and expenditures.

Salaries and benefits command the major percentage of every college's expenditures. Financial control over this area requires a precise means to authorize, fill, and monitor each job within the college. This process is known as position control, and is a means to track personnel allocations and expenditures. The position control system is necessary to effectively establish checks and balances between personnel decisions and budgeted appropriations. Recent experiences of school districts and colleges in dire fiscal trouble demonstrate that, without position control, expenditures can quickly exceed budgeted levels and contribute to financial problems. Therefore, position control is one of the most critical areas requiring management's attention.

The college is in the midst of converting its financial functions to a new software application. Both the old and new systems provide online access for managers to monitor their budgets. In the past, some managers did not access the system directly, as they preferred to contact the Business Office for information instead. Each manager should be able to generate and review detailed reports by program, reflecting the current budget, year-to-date expenditures, current encumbrances, and the balance left in each line item.

At the time of FCMAT's fieldwork, only the budgeting and purchasing functions had been converted to the new system. Payrolls were still in the old system, creating a disconnect between the budget and the actual data generated by payroll. While the reporting from the two systems can be reviewed to ensure that actual expenditures are on track with the budget, this method is more time consuming and is prone to error. The college expects to begin using the new system on January 1, 2006, for human resources and payroll functions.

The Business Office has not taken clear responsibility for the financial performance of the bookstore, the cafeteria, or the dormitory. The Dean of Student Services position is vacant, and oversight of these operations is currently split among the President, the Dean of Administrative Services, and the Director of Purchasing/Bookstore, who was recently reassigned to Human Resources. According to the 2003-04 audit report, these operations ended the year with a deficit fund balance, and have required significant borrowing from the general fund. The bookstore and cafeteria posted operating deficits in 2003-04. However, the pre-closing financial reports for 2004-05 show a surplus in the dormitory fund, so the dormitory operation could be on track to pay back the loan from the general fund over the next several years. However, the preliminary numbers for both the bookstore and cafeteria indicate operating deficits once again, which will increase the deficit balance in each fund. It is unlikely that these two operations will be able to generate funds to pay back the loans (approximately $340,997 at the end of 2004-05) to the general fund anytime soon.

It is typically very difficult for a cafeteria operation on a college campus to generate a surplus, but it is just as typical that a bookstore operation generates a significant enough surplus to offset the cafeteria deficit. If the college does not have the expertise on staff, outside expertise should be brought in for this purpose so that eventually the general fund will no longer have to financially support these operations.

The college has had a history of maintaining adequate reserves, even with its recently declining enrollment. This has necessitated significant reductions in staff. However, the college is expected to end the 2005-06 year with deficit spending of approximately $472,124. Combined with the estimated $1.7 million reduction in revenues due to the restatement of FTES in 2003-04 and 2004-05, as well as the probability that the loans made to the bookstore and cafeteria will not be repaid, this could all but eliminate the college's general fund reserves. The Chancellor's Office has indicated that the reduction in revenues may be paid back over a period of years. However, this liability needs to be recorded in the college's financial statements. The college needs to take immediate corrective action to maintain its required level of reserves.

The restricted portion of the general fund is reported with a negative ending balance each year, which is attributed to the match requirements from the unrestricted portion of the general fund. Using this method, the ending balance in the unrestricted portion of the general fund is overstated, and the ending balance in the restricted portion does not appropriately reflect the sum of the balances in the individual restricted programs. In addition, the asset and liability accounts of the restricted and unrestricted subfunds are commingled in the financial system, which makes it difficult to monitor these accounts throughout the year.

The college has not been able to effectively manage its expenditures for salaries and benefits through its position control system. There was a negative variance of $900,078 between the existing budget-to-actual expenditures for all salaries and benefits in the 2004-05 fiscal year-end closing. In simple terms, expenditures exceeded the budget allocation by $900,078 by the end of the fiscal year. Existing positions are included in and funded through the annual budget process but change significantly during the fiscal year. Certificated staffing is essentially formula driven, while classified staffing is based on positions from the prior year and is updated for salary step and longevity changes.

Recommendations

The college district should:

1. Provide training to all budget managers on how to access the system and monitor their budgets.

2. Convert payroll functions to the same system as the budget so that budget-to-actual reporting can be used from the new system.

3. Record match requirements from the unrestricted portion of the general fund to the restricted portion by making intrafund transfers (object codes 8980 and 7200) each year for the amount of the match required. Verify that the ending balance in the restricted subfund accurately reflects the sum of the balances in each restricted program.

4. Separate the accounting for assets and liabilities between the unrestricted and restricted portions of the general fund within the financial system.

5. Assign staff or contract with consultants to improve the operations of the bookstore and cafeteria and eliminate the deficit spending in those funds.

6. Perform a thorough analysis of the budget and revise estimates for the rest of the year, taking into account the required payback of revenues to the state and the inability of the bookstore and cafeteria to repay the loans.

Monitoring of FTES and Revenue Maximization

To consistently maximize revenues, community colleges need to monitor enrollment year to year to ensure that they meet the funded target for serving full-time equivalent students (FTES).

Colleges must balance the need to attract additional students, or FTES, with the cost of attracting and serving those students. If the cost to serve students is greater than the revenue generated, the college derives no financial benefit. Classes should be of sufficient size and faculty should have a sufficient level of weekly student contact hours so that the cost of serving students does not exceed the associated revenues.

The college's enrollment has been declining in recent years. In addition, the college has had to significantly reduce the FTES on apportionment claims for 2003-04 and 2004-05 for violating various apportionment requirements. The value of these reductions is estimated by the college to be approximately $1.7 million.

The college is required to restore losses in FTES within three years after the initial year of the decline if there is a subsequent increase in student workload measures. This means that to restore the lost apportionment revenues from the reduction in FTES during 2003-04, the college may restore the FTES during the 2006-07 fiscal year or earlier.

The college has continually developed and pursued new strategies to increase enrollment and FTES, and should verify compliance with the Chancellor's Office staff before implementing any new programs or instructional offerings through correspondence classes.

It is imperative that the college take affirmative measures to identify the educational needs of the community in order to attract sufficient students. To meet FTES targets and maximize revenue, the college should critically evaluate the basic departmental programs, the classes offered, and the number of sections offered for each class to determine the demand for those classes and their short- and long-term viability. The college should also develop/modify its course catalog to provide the programs and classes most in demand, and use numerous methods of outreach and advertising to inform the community of its offerings. Space and staffing decisions should take into account the programs and classes with the highest enrollment and interest.

The college does not manage class sizes sufficiently to maximize revenues and provide an appropriate instructional environment for each type of class. Also, it does not use all available outlets to provide information to the public on its programs and class offerings. These conditions are evident in the findings of the Chancellor's Office in the Minimum Conditions Complaint and Review of Apportionment Claims issued on June 16, 2005. It does not appear that the college actively monitors and manages weekly student contact hours per full-time equivalent faculty member (WSCH/FTEF). All these factors result in an inability to appropriately manage the college's resources at a time when it faces serious financial difficulties.

Colleges generally set targets for the WSCH/FTEF. This is a way to measure whether, on average, faculty have sufficient student enrollment to be cost effective. The accepted target and industry standard for community colleges is 525 WSCH/FTEF, which represents the number of student hours per year (17.5 weeks x two semesters x 15 hours/week). However, because of the lack of class size management and the inattention to the WSCH/FTEF, this ratio for the college is likely to be significantly below the target. Either the college is ineffective in providing programs that attract students or it employs too many teachers to serve its students, through small class sizes or by instructors spending significant time outside the classroom.

The college should develop methods to actively measure WSCH/FTEF, determine the break-even level, and set goals for raising the level. Each yearly budget should contain a goal/target for WSCH/FTEF, and instructional program managers should be held accountable for reaching the goal. To the extent feasible, classes for which there is low demand should be eliminated, or sections combined where there are multiple sections with a small number of enrollees. Classes that are not cost-effective should be closed as early in the term as possible.

Part-time staff should be assigned predominantly to those programs and/or classes that are most impacted, thus generating revenue. The college should minimize the activities that take full-time faculty out of the classroom and result in the need to hire additional staff.

There may be specific situations where, for reasons other than financial, the college undertakes class offerings or serves students that results in a net cost. However, this should be the exception.

The college does not offer phone or Web registration, both of which make it more convenient and faster for students to register. This may also contribute to the decline in FTES. The college plans to implement Web registration with the implementation of its new system for course registration and student records in the fall of 2006.

The Chancellor's Office findings also indicate that there have been concerns about the documentation and activities supporting apportionment claims, and has made various recommendations to improve procedures in this area.

To help maximize enrollment, the college has allowed more students to use payment plans for their college expenses. This has resulted in a significant increase in the carrying value of student accounts receivable, and in the amount of delinquent accounts. The college has not analyzed this information to determine whether or not this practice actually has increased enrollment.

The college has various methods available to collect debt from currently enrolled students. It can offset student aid for any debts owed, and can prevent students from registering for the next session until debts are paid. Sometimes these methods are not enforced, and there is no analysis performed to determine whether this is the most appropriate decision for the college. After students leave the college, it can hold transcripts and even utilize the Chancellor's Office Tax Offset Program to help collect student debts, but many of these debts are for out-of-state students. The college has not used the services of a collection agency.

Records for the last two years show that none of these receivables have been written off the books. The outstanding balances for student receivables ranged from $100,000 to $150,000 per semester prior to the closing of the 2004-05 fiscal year.

The college should not necessarily stop trying to collect on these accounts. Rather, the amount reported on its financial statements for student receivables should more appropriately reflect accounts that are still deemed collectible. The college should also consider the use of a collection agency's services. Even though a percentage is paid to the agency, it may well increase the amounts collected.

College staff members had expressed concern about the significant reduction in FTES in the summer program, as well as the reduction in registrations coming in for the fall, as compared to the same times in the previous year. However, the new correspondence program that began last spring is expected to significantly increase FTES. These situations are not reflected in the current revenue budget and will be adjusted when the FTES materialize.

Recommendations

The college district should:

1. Continue to develop programs and classes that are most in demand by the current student population and community at large. Assess current student population and community demographics.

2. Implement the courses of action specified in the Chancellor's Office document and continue to monitor the compliance of instructional programs with the various laws and regulations to minimize the risk of additional losses of FTES and apportionment.

3. Update the FTES projection for the current year to reflect actual year-to-date enrollment and anticipated enrollment changes due to program changes or the implementation of new programs. Document the assumptions used to develop the FTES projection and explain these assumptions when providing the updated budget to the board and community.

4. Analyze the impact of student debt policies and practices on student enrollment and college revenues to determine the most appropriate balance between providing students with access to college courses versus sound fiscal practices; and review acceptable practices with the district's external independent auditor

regarding the number of years student receivables should be carried on the books versus uncollectible debts.

5. Develop a procedure and policy for determining when student debts should no longer be carried on the books.

Contingencies

A fiscally healthy college should be able to successfully manage in times of financial crisis by having contingency plans, and by taking quick and decisive action. Sometimes events occur that may not appear to cause a fiscal crisis initially, but quickly escalate into a crisis if not immediately addressed. These events can include labor difficulties, declining enrollment, negative regulatory audits, deficit spending and a declining fund balance. Colleges must be able to recognize these indicators and take prompt corrective action to avert a major fiscal crisis.

The Chancellor's Office has established criteria for monitoring a community college's financial condition in accordance with Accounting Advisory FS 05-05. The monitoring and assessment process outlined in the accounting advisory is intended to provide for early detection of districts that are experiencing fiscal difficulties. The assessment of the district's financial condition includes but is not limited to the following categories and analysis:

A. Primary Criteria: General fund analysis that will include a review of the current, historical and projected fund balance.
   The minimum prudent unrestricted general fund balance is 5%: This minimum prudent level is considered necessary to ease cash flow problems, to deal with unexpected cost increases, and other fiscal uncertainties.
B. Secondary Criteria: Other factors that have an impact on a district's overall financial stability must be considered in evaluating whether or not a district has an adequate unrestricted general fund balance, including:
   1. Analysis of spending patterns.
   2. Full-time-equivalent students.
   3. Staff expenditures.
   4. Other factors, audit exceptions, going concern, etc.

The college has been able to maintain a sufficient level of reserves, but the fiscal year closing for 2004-05 resulted in deficit spending. The 2005-06 budget projects deficit spending of $472,124. This is before taking into account the reduction in revenues from the decertified FTES reportable for 2003-04 and 2004-05, as well as some of the other issues discussed in this report that could affect the college's finances. **Clearly, the college is at risk of not maintaining a prudent, or even minimum, level of reserves. The projected deficit spending must be acted upon in a timely manner to mitigate the financial impact on the current and future years.**

In the future, the college should avoid deficit spending except in the case of acute and immediate college needs. Further, any deficit spending should only be made pursuant to a formal plan that includes measures to mitigate the need for future deficit spending and to replace the reserves used.

The college's external financial audit for 2003-04 was due to the Chancellor's Office by December 31, 2004, but was not completed until June 2005. By that time, the Chancellor's Office had issued a warning that if the audit was not received by June 30, 2005, the Chancellor's Office would arrange its own audit at the college's expense. The college cites issues with the foundation's audit as the reason for the delay in the audit report.

The issue with the delayed audit report was occurring at the same time the Chancellor's Office was investigating the college because of the minimum conditions complaint and apportionment claim irregularities. The results are summed up in this sentence extracted from the Chancellor's Office report: "… we believe there is a high probability that the college will need an emergency loan within three years unless it is able to substantially improve the management of its resources."

Labor difficulties are another factor that can negatively affect the college's fiscal stability. At the time of FCMAT's fieldwork, the college had just settled negotiations for the current and prior year with one of its employee bargaining units, and was close to a settlement with the other unit. With the college's current fiscal picture, it will be difficult to address bargaining unit proposals for salary and benefit increases in the near future.

Recommendations

The college district should:

1. Develop a multiyear plan to address the payback of apportionment revenues to the state and to restore the general fund ending balance to meet state requirements.

2. Use information in its deficit spending/ending balance recovery plan for bargaining unit negotiations.

Internal Controls

Internal controls are essential to the functioning of any organization to prevent significant errors, fraud, and mismanagement of assets. A good system of internal controls allows management to rely on its systems, processes, and procedures, and improves the predictability of outcomes.

At the time of FCMAT's fieldwork, the college had not yet made arrangements for its external financial audit for the 2004-05 fiscal year. Since the college had utilized the same external audit firm for the past six years, it appropriately determined that it should consider changing firms. However, it did not issue the request for proposals (RFP) for external audit services until July 2005. The RFP was sent to nine firms, and the only response received was from the current audit firm. The college has decided to rehire that firm.

Typically, an external audit firm visits the college during the spring to conduct a portion of its fieldwork before the books are closed. Because the RFP was not timely, this did not take place. This puts the college at risk for not completing its external financial audit on time, and of having the Chancellor's Office step in and secure the audit. Section 59106 of Title 5 requires each district to file its audit report by December 31, 2005. Further, Education Code 84040(b) states that in the event the governing board of the community college fails to provide for an audit by the due date, the board of governors may arrange for an audit paid from district funds.

The college's management structure has been severely weakened by the elimination of some positions and non-replacement of others. Most significantly, management positions responsible for student services, instruction, and human resources are vacant or are operating with interim appointments. This has hampered the college's ability to ensure that the minimum conditions for apportionment are met, and has compromised its system of internal controls in other areas. For example, in any given payroll it is not unusual for the college to discover that someone has been working before being officially hired. The human resources officer is critical to ensuring that appropriate personnel-related procedures are followed by the other managers at the college, but the college has not had an appropriately qualified administrator in that role.

An administrator has been selected to fill the vacancy in instruction. The college should permanently fill its other vacant management positions as soon as possible, starting with the human resources officer. This position must be filled by someone with formal human resources training and strong community college human resources experience. Filling the management positions may involve extensive recruitment efforts, and the college should be prepared to invest sufficiently in the salaries of these positions to attract appropriately qualified and experienced candidates.

There appear to be no regularly scheduled staff meetings for either top management or the departments. This can result in a severe lack of communication and in misunderstandings. Staff meetings are an excellent forum for information sharing, training, and reinforcement of policies and procedures. Without them, college employees lack the information to make appropriate decisions, and, over time, veer further and further away from standard processes and procedures.

The college does not have a standard process for evaluating managers. Managers could not recall the last time they were evaluated. Regular evaluations, using specific criteria to measure and guide performance, are critical to ensuring that managers are performing their functions appropriately and to the expectations of the President and the board. Otherwise, managers lack appropriate feedback to improve their performance and their operations. The fiscal situation that the college is in makes the need to hold managers accountable for their areas of operation even more important to its success.

The college's purchasing practices lack accountability and do not provide adequate options to meet its needs. The practice of issuing blanket purchase orders was recently discontinued, causing an increase in the number of purchases made without pre-approval. Also, several employees use a college credit card to make purchases, but often the receipts are not provided to the Business Office. These practices increase the risk of expenditures exceeding budget, and require additional staff time to ensure that the appropriate documents are secured and the vendor is paid. There are no consequences for unauthorized purchases, so the practice continues.

Sufficient options should be made available in the college's purchasing policies to provide flexibility along with accountability. Reimbursements, which are typically unauthorized purchases, should be kept to only exceptional situations and should only be for minor amounts (less than $50 or so per purchase). The use of credit cards also should be rare, and allowed for only a select few employees. Most other purchasing needs can be met with blanket purchase orders, express purchase orders, or even the traditional purchase requisition process if it is timely. All employees who make purchases should be required to keep all receipts to turn them in to the Business Office.

The new automated system provides for electronic purchase requisitions, but most staff members do not yet use this function. All college employees should use electronic requisitions because they will improve controls and purchasing services in the long run. The budget is checked at the beginning of the process, approvals are required before going to the next step, and the overall process, if used properly, is faster.

Student fee assessments and collections are done by staff members in the Admissions and Records office, and the pegboard system of receipting is used. These functions should be automated, and administered by staff members that report directly to the Business Office.

Cash handling procedures require specialized training and abilities that match those of Business Office personnel. Although no specific issues were raised in this area, these changes would ensure appropriate controls and the provision of adequate training and oversight.

The college has been more than meeting its full-time faculty obligation. There are penalties for not meeting this obligation, as well as additional documentation and actions that are required. The full-time faculty obligation for the last three years is as follows:

Year	Obligation	Reported
Fall 2003	36.9	53
Fall 2004	35.9	45.6
Fall 2005	31.9	44.5

The college's master vendor files are now maintained by the Business Office. Vendor information in the old system contains many duplicates because standard naming conventions were not used. These duplications are being removed by the Business Office as the college moves to the new system. However, this is a departure from appropriate segregation of duties, as the purchasing agent should be responsible for maintaining the vendor files. Specific protocols for naming, numbering, and creating new vendors should be set up to prevent duplications.

The Business Office has been responsible for determining whether a worker should be an employee or an independent contractor, and for collecting Forms W-9, generating Forms 1099, and providing the required reporting to the Employment Development Department (EDD). All of these functions are more appropriately placed at the point where purchases are initiated to prevent a purchase order or contract from being issued inappropriately, and the Business Office staff should not have access to the vendor file.

Employee benefits are the responsibility of Human Resources, where employees are enrolled in benefit plans and the carrier billings are reconciled before being forwarded to the Business Office for payment. Retiree payments are mailed directly to human resources because the retirees are provided envelopes and labels for mailing in their payments for the year. However, to appropriately segregate duties, these payments should go directly to the Business Office, which can then provide a list of the payments received to Human Resources for its records.

The college does not have a system to control its liability for employees' accrued vacation balances. There is no threshold level of accrual that triggers a requirement to schedule vacation.

Some options to consider include paying off vacation annually for ten-month employees, requiring employees with a certain level of vacation balance to submit a vacation schedule for the next year, and including the management of employee vacation balances as a criterion in managers' evaluations.

Recommendations

The college district should:

1. Immediately secure the services of the only audit firm that provided a response to the RFP, using a three-year contract with the option to renew in the second and third years. This would allow the college to issue another RFP for the 2005-06 fiscal year before the May 1 deadline. (The college has contracted with the firm of Nystrom and Company to perform the 2004-05 audit.)

2. Implement methods to systematically communicate with employees, including regular staff meetings at every level and written updates via e-mail or the Web site. Hold weekly meetings of the college's top management team, especially as the college develops and implements an improvement plan to address the issues in this report and the Chancellor's Office report. Engage all employees in this effort.

3. Implement a sound process for evaluating managers, including standard criteria and forms, and training for all managers on the process. Assign the new human resources officer to coordinate this effort.

4. Set up policies to manage the growing liability for employees' accrued vacation balances.

5. Provide for both flexibility and accountability in the purchasing process. Limit credit card use to a few key staff members. Require staff to use the electronic purchase requisition process.

6. Assign Business Office staff members to assess and collect student fees where the students register, and automate the processes involved.

7. Reassign the responsibility for vendor files, securing Forms W-9, reporting to the EDD, and determining whether a worker should be an independent contractor or an employee to the purchasing agent.

8. Change the instructions and labels provided to retirees who pay for their benefits to specify that payments be made to the Business Office. Set up a method in the Business Office for reporting the payments received to Human Resources.

Collective Bargaining and Salary Schedules

Settlements should be based on total employee compensation, including all cost characteristics of the contract, and should never place the college in a fiscally precarious position. Computed contract costs for the current and future years should be accurately reported with full participation by the fiscal office, and the costs made available to the public. Employee movement on the salary schedule should be linked to satisfactory performance and should encourage additional educational training consistent with college goals. Step and column movement should be separately calculated as additional annual costs. Early retirement incentives, if economical and funded, may be used to reduce high-cost seniority placements on the certificated schedule while maintaining needed instructional services.

The college has a joint benefits committee consisting of representatives from management and the two collective bargaining units. A provision in the collective bargaining contracts functions as a "soft cap" on the college's contribution to benefits for active employees. The cap is negotiated each year, and typically is increased. The college provides post-employment health and welfare benefits for retirees up to age 65 and their dependents, but only for those employees hired before 1989 and who otherwise qualify.

The CSEA salary schedule has 13 steps, approximately twice as many steps as in the typical classified employee salary schedule. The increments between steps are 5% at the lower end of each range, about 3% mid range, and about 2% in the upper part of each range. The college bears additional costs to service the step increases each year on the schedule, long after the employees would have reached the top step in a more typical salary schedule. FCMAT did not compare the salary ranges to those for similar positions in other school or community college districts, so the cost of providing more years of step increases may be offset if the salary ranges overall begin at a lower level. However, given that the 13-step salary schedule was developed as a result of a reclassification study completed several years ago, the salaries likely were aligned with comparable positions in other districts. It was reported that this resulted in approximately a 10% increase across the board, but FCMAT did not find the information needed to substantiate the cost.

The language addressing weekly student contact hours (WSCH) in the college's agreement with the faculty bargaining unit (LCFA) sets the expectation at 360 WSCH, far below the generally accepted goal for community colleges of 525. This results in lower productivity, which means that the cost of providing services is higher per student. The college should consider new language in the LCFA contract increasing the WSCH per full-time faculty member (FTEF), which could include some incentive funding, since increasing the WSCH/FTEF would result in the college's ability to serve more students at a lower cost.

The college has just reached a tentative agreement for 2004-05 with the classified employee bargaining unit (CSEA), the second year of a three-year agreement. For 2004-05, the health benefits cap was not moved, but one-time funds were provided for allocation to employees to offset a portion of the premium cost. No salary increase was provided for 2004-05. Negotiations will soon begin for 2005-06.

The college and LCFA have reached a tentative agreement for 2004-05 that involves increasing the health and welfare benefits cap to cover the total cost to employees. The specific language of this agreement was not yet available, but the cap amount was estimated at $12,000. There was no indication that the college examined the multiyear financial impact of increasing the cap. No salary increase was provided for 2004-05.

The district has not finished revising the bargaining unit agreements to reflect the settlements. Because the specific language of the tentative agreements was not available, FCMAT could not compare the cost of servicing the collective bargaining agreements from prior years to 2004-05.

The current negotiating team consists of the interim Director of Human Resources and a legal firm representative. The team does not obtain sufficient input and support from instructional or fiscal leadership, and the Budget Office is not routinely asked for financial information during the process. With the turnover in various upper management positions, there has not been a clear, consistent approach to negotiations. Staff members expressed concerns that board-approved tentative agreements or memorandums of understanding (MOUs) have been "renegotiated" upon implementation. Staff also indicated that MOUs have been implemented that have not been approved by the board, and that the college is still preparing those documents for ratification.

Recommendations

The college district should:

1. Consult with management representatives from instruction, finance and student services when negotiating with the bargaining units to obtain information from the divisions in which the bargaining unit employees work. Add a member to each team that is familiar with the finances of the college and can assess whether an item of discussion will have a financial impact.

2. Seek an evaluation from the Budget Office for the current and at least two subsequent years regarding any issues discussed during negotiations that could financially affect the college. Conduct this analysis before a tentative agreement is reached. Submit any side agreements for the same level of review and analysis, for policy, precedent, and fiscal impact, before they are finalized.

3. Develop strategies and goals for the negotiating team before beginning the collective bargaining process for any given year.

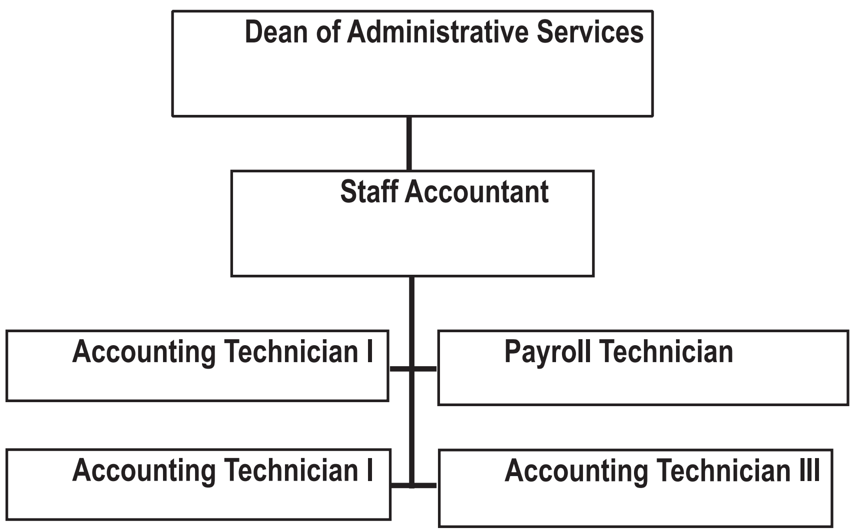
4. Examine the classified salary schedule to determine the long-term cost effects of servicing its 13 steps. Complete and update this analysis each year before starting the collective bargaining process with CSEA so that this automatic cost and its financial effect on the college is determined before discussions about compensation begin. Consider compressing the schedule into fewer steps, while holding current employees harmless, to mitigate the future cost of the schedule.

Business Office Organization and Staffing

The Business Office is physically located on the far end of campus, away from most of the other college services and college administrators, including the Dean of Administrative Services. This isolates the staff members and impedes communications between the Business Office and the rest of the campus that it serves. It also hampers the ability of the Business Office to perform its functions effectively and efficiently.

As addressed earlier in this report, the function of assessing and collecting student registration fees should be the responsibility of the Business Office. The distance between the Admissions and Records department, where students register, and the Business Office will make the appropriate supervision of this function very difficult.

The Business Office is organized as follows:



The number of positions in the Business Office, as compared to single-college districts of similar size throughout the state, appears to be appropriate. The types of functions performed in the Business Office generally correspond with the functions performed by this department in similar community colleges. The main distinction between districts is the location of purchasing functions within the organization. Some of the districts include the purchasing function within the Business Office but most of them, including Lassen, do not.

The workload is not balanced among the positions in the Business Office. The Staff Accountant position in particular is responsible for supervising the Business Office staff, but also has significant functional responsibilities. Other positions in the office are underutilized because they have primary functions that are less complex than those provided for in the job descriptions. The implementation of the new application software for finance has exacerbated the situation.

As discussed in the Internal Controls section of this report, purchasing should be responsible for the vendor files. Some monthly accounting and year-end closing activities, such as reconciling general ledger accounts and preparing corrective entries and trial balances, could be moved from the Staff Accountant position to the Accounting Technician III position. Additional accounting duties, such as posting transactions and running reports, should move from the Staff Accountant position to the Accounting Technician I positions.

Accounts payable functions could be split between the two Accounting Technician I positions, which would also enable them to audit each other's work. This would help balance the workload and provide good backup for these functions.

Consideration should be given to assigning some payroll tasks to the Accounting Technician I positions as the workload allows, to provide additional backup and cross training for payroll.

Typically, the implementation of software changes the workload because it involves new or revised procedures for completing the work. Once the college implements all the financial functions in the new system, the workload should be reviewed again and rebalanced if necessary.

Recommendations

The college district should:

1. Move the Business Office as close as possible to Student Services, Human Resources, and the college administration. Renovate building space, if necessary, as this move will significantly improve the cohesiveness of services and the effectiveness and efficiency of the Business Office.

2. Shift the duties and workload between the Business Office positions to achieve a more equitable distribution of work and more fully utilize the skills and abilities required for the various positions.

Computer Technology

Datatel Colleague Installation and Implementation

Colleges should utilize technology to the extent possible in the operation and management of the business, personnel, and facilities functions. Computer technology should facilitate college-wide communication and increase employee productivity. Network technology speeds communication, helps to eliminate duplicative procedures, integrates departments and programs, and provides pertinent, timely information.

A computer technology master plan should be established that meets the college's needs, as identified by the end-user groups, including both business/administrative and educational users. The technology master plan should address both current and future needs for hardware and software, and budget priorities for the implementation, upgrade, and maintenance of computer systems. It is imperative for the college plan to encompass both one-time and ongoing projects.

The college formed an advisory committee in September 2003 to research a cost-effective technology solution to its existing system. E-mails and memos are available through December 2003 describing potential site visits (Butte and Shasta); committee concerns regarding participation, involvement and buy-in; and hardware and software requirements. The documents describe Datatel's Colleague as a viable choice based on multiple factors: affordability, the growing instability of the legacy system, and similar and proximate institutions to the college that are already using the product.

After much review, the college purchased Datatel's Colleague, Release 18, a new software application for its financial and student information systems. On July 1, 2005, the college implemented the budget, accounting, and purchasing portions of the system. Vendor payments, human resources, payroll, and the student system remain in the current legacy software application and will be phased in to the new system over the next year.

Because the district's payroll and vendor payment functions remain in the old legacy system, it is extremely difficult to monitor budget-to-actual expenditures during this interim period. This also requires the three-way match for vendor payments to be done manually. The plan is to move these functions to the new system on January 1, 2006.

The new system provides for electronic purchase requisitions, but many staff members do not use this function due to a lack of communication and training. The system also provides online access of budget information to budget managers, but many managers choose not to use this function and instead contact the Business Office directly for budget information.

The Director of Information Technology position has been vacant for the last three years, so the Dean of Administrative Services has had direct responsibility for the college's technology operations. The retired Director of Information Technology has been rehired part time to assist with the implementation of the new system.

Staff members using the new system believe they need much more training. As a result, the system is not being effectively utilized as a management and control tool. Further, Business Office staff members have responsibilities related to implementing the new system, and some are required to use both the old legacy system and the new Datatel system applications to perform their duties. These additional responsibilities have impaired the ability of the Business Office to perform its core functions.

Because the district's current legacy system will need to remain a critical part of the college data system until the conversion to Datatel is complete, the college should reinstate the maintenance contract to keep it viable. Once the conversion to Datatel is complete, the maintenance contract for the legacy system can be cancelled.

Funding for Installation and Implementation
The college is utilizing a Title III, Part A, Strengthening Institutions Program grant to replace its existing technology infrastructure with an integrated software system and to provide additional positions for training, programming and maintenance, for a total grant of $1,821,263 over five years. The college is in year two of this grant.

The Grant Performance Report Executive Summary, dated May 28, 2004 for the performance reporting period 10-1-03 through 4-30-04, summarizes the advisory committee's research and consensus to purchase, install and implement the Datatel Colleague system, citing savings in personnel costs with the delayed implementation because of the need to hire employees funded through the Title III grant.

The Project Status section, part II, lists the activities, objectives and performance indicators for this time period. Lassen achieved its network cabling objective (1b of Objective 1) and the system and database administration training (2a of Objective 2), but did not re-create custom student services reports as required by September 2004. Student system module implementation was to begin in February 2005 and live processing in October 2005, with a positive performance indicator by June 2005. The college has not achieved this benchmark and should continue to review the status monthly. The risk of having to repay these grant funds is relatively low should the college continue to document positive progress.

Original Implementation Overview
Datatel's "SmartPath" Implementation Overview details the time line, training requisites, consulting workshops, phone consulting, end user training, live simulations, and live processing deadline dates for the project. The implementation plan shows each module of

the integrated system and the target live dates up through July 2006 for the Degree Audit module (an optional module not included in the base student system).

The original live dates were:

Hardware/Software Install	July/August 2004
Financial Systems	July 2005
General Ledger	
AP/Purchasing	
Fixed Assets	
Student Systems	
Admissions	October 2005
Courses, Sections, Faculty	January 2006
Financial Aid for FA 2006	February 2006
Registration/Accts. Receivable	March/April 2006
Residence Life	April 2006
Academic Records	June 2006
Human Resources	
Personnel/Payroll	July 2005

The implementation plan is fairly standard for Datatel's community college, university and four-year college clients.

E-mail correspondence between Datatel and the college describe the roles and resources of the college staff as well as proposals for conversion services. An internal memorandum, dated August 19, 2004, includes resource, reporting, and scheduling availability questionnaires to members of the college's implementation team. Attached to the memo is a Datatel-provided calendar for indicating when team members will not be available for training and consulting. The sample copies provided to FCMAT were blank, without responses or copies of responses.

The college is substantially late with the Datatel-recommended implementation time line. The financial module is live and processing general ledger and purchasing transactions, but with a one-month delay from their due date. The current COBOL legacy system is homegrown and requires continual maintenance. The college rehired the retired information technology director part-time to maintain the legacy system and to convert the student, curriculum, faculty, and course information into the Colleague software database. There are no plans to convert human resources, payroll or financial information.

The college does not have a communicated, formal, or written implementation plan for Colleague, or for the conversion process. The college is approximately halfway into the Title III grant that funds the software implementation, and the current resources and commitments may be insufficient to safely, accurately, and fiscally complete implementation by the end of the grant provision in 2007.

One of the obstacles to the college's implementation is the minimum conditions audit, which resulted in key personnel at the college being redirected away from their implementation directives. The audit also led to layoffs and position eliminations to offset potential repayment requirements to the state. Student Services projects a fall term 2007 live date, given the current resources.

Staff members believe other obstacles to the implementation include: staff layoffs and turnover, demoralization, overextended staff, and the need for administration to support, promote and lead the project. There are vacancies in the following positions that were key to the implementation:

- Dean of Student Services
- Director of Financial Aid
- Director of Information Technology

The college's biggest implementation advocate is a consultant from a neighboring college district. This individual is experienced with state reporting, faculty workload, personnel and payroll implementations, but cannot commit the necessary time to the project. The consultant is suggesting a new time line and recommitment for the student module implementation.

Datatel's Colleague, Release 18, was delivered in July 2005 per the terms and conditions of the contract. The college operates a flat database management system on a nonrelational platform that is not compatible with Datatel's SQL release. This prevented full implementation of the Release 18 software.

Recommendations

The college should:

1. Reinstate the maintenance contract for its legacy system at an estimated cost of $60,000 annually.

2. Implement Datatel's software system within a year's time to offset the risk of a failed implementation.

3. Hire a project management leader for the implementation that is experienced with integrated database systems, preferably with Datatel experience. Confirm with the federal Department of Education whether the project manager's salary can be paid through the Title III grant.

4. Develop a written implementation plan that demonstrates milestones, required personnel, and financial commitments.

5. Direct administrators and managers to comprehensively communicate the campus-wide implementation plan.

6. Develop the implementation on Release 17 software, as any other pre-release software would not be advised with a small implementation group.

Independent Accountant's Report on the Lassen College Foundation

FCMAT contracted the services of an independent public accountancy firm, Vicenti, Lloyd & Stutzman, LLP to conduct a review of the Lassen Community College Foundation as part of the overall review of the college. The objectives of the work were to assure the validity and appropriateness of the financial activities of the Lassen Community College Foundation for the fiscal years 2002-03, 2003-04 and 2004-05, to determine if records were in auditable format to issue an opinion, and to determine whether any elements of concern warranted further investigation. The procedures performed included: 1) obtaining an understanding of the accounting processes and procedures for the foundation, 2) interviewing appropriate individuals as necessary, 3) reviewing a sample of supporting documents associated with financial transactions during the above-mentioned periods, 4) confirming balance sheet accounts with third parties and 5) preparing a report.

Background

The Lassen Community College Foundation was originally formed in 1977. The foundation became inactive over the years until 2002, when there was an effort to re-establish it with new board members. New filings were made with the Secretary of State to name new board members on December 11, 2002. It appears that the first official meeting of the new board was held on January 7, 2003. According to the college's financial records, the foundation had assets of $21,948 at the beginning of July 2002 that had been carried on the books for some time.

The foundation must comply with nonprofit status under Internal Revenue Code Section 501(C) (3) and the California Revenue and Taxation Code 23701(d). The organization is registered as a Nonprofit Public Corporation of the State of California and must comply with Education Code Sections 72670-72672.

The foundation received a few cash donations in 2003, and, during the 2003-04 fiscal year, the foundation accepted a donation of the vacated Lassen Banner Hospital complex. The building and land were officially transferred to the foundation on July 25, 2003. Soon after the donation, serious water leakage occurred for which the foundation received a significant insurance reimbursement. In addition, on April 28, 2004, with the donated hospital as collateral, the foundation purchased the assets and the right to operate the Eagle Lake Marina from the Chico Research Foundation.

Prior to the purchase of the marina, all financial activities were handled in a college trust account. Receipts and expenses were reported in the financial records of the college. However, after the purchase of the marina, the addition of a retail operation complicated the related accounting processes. An outside checking and savings account was opened in which the majority of the financial transactions occurred, and the trust account also handled various foundation transactions. The foundation hired a local CPA firm that prepared a compilation for the 2003-04 fiscal year by combining the foundation and Eagle Lake financial records. (Please see Appendix C to this report.)

The external auditors of the college issued an opinion that stated the 2003-04 financial statements of the college "do not include financial data for the district's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the district's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the district as of June 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America."

This adverse opinion was related to the fact that the auditors could not form an opinion of the Lassen Community College Foundation. In addition, the Chancellor's Office had been contacted regarding various apportionment concerns, some of which were related to the foundation. FCMAT was also contacted to assist in the review of the college, and, in turn, FCMAT contracted with VLS to review the foundation records.

Lack of Financial Statements for 2004-05

No financial statements were available for the 2004-05 fiscal year when representatives of the VLS accountancy firm arrived at the college on September 14, 2005. According to the college President, this was because the accounting firm hired to compile the financial data had not completed the statements. A new firm has since been hired but also has not yet prepared the financial statements. Therefore, it was agreed that VLS would be unable to report on the 2004-05 fiscal year activities. The college President has recommended that the current external auditors retained by the college will complete the audit of the foundation for the 2004-05 fiscal year.

Financial Information for 2002-03

The accounting firm contracted by FCMAT prepared a financial statement for 2002-03 based on the information in the trust account in the college's financial system. The activities were limited in that year and the only asset is cash in the county. The financial data can be summarized as follows:

Lassen College Foundation Financial Statement June 30, 2003	
Revenues	
Contributions	$41,565
Interest	1,075
Total Revenues	42,640
Expenses	
Materials and Supplies	695
Professional Fees	300
Total Expenses	995
Excess	41,645
Net Assets July 1, 2002	21,948
Net Assets June 30, 2003	$63,593

The college could not locate supporting documents for the contributions. However, interviews and review of the foundation minutes indicated the nature of the two main contributions made to the foundation. One was for $21,000 from J. Robison, according to college records. Individuals interviewed indicated that J. Robison was involved with the wrestling camp offered on campus. Supporting documentation for this donation has not yet been provided. This donation was mentioned in the foundation's minutes as being anonymous. It is unclear at this time whether this was an unrestricted donation and/or whether it may have been related to the wrestling camp.

There was also a $17,000 donation from Sierra Pacific Industries that was mentioned in the foundation minutes and was the result of an agreement between the college President and the company when the college sold a piece of equipment from the co-generation plant. The college President negotiated with Sierra Pacific to pay a nominal price for the equipment (estimated at $1,000), and the company would then make a donation to the foundation.

Sierra Pacific did eventually make a donation for $17,000 to the college foundation. According to the January 7, 2003 minutes, the purpose of obtaining the donation was to "give the foundation an opportunity to reach out to the community." Since this equipment was declared as surplus from the college, it appears that the money should have been deposited to college funds instead of the foundation.

The validity of this financial information is unclear because of the lack of supporting documentation provided to date. However, the circumstances surrounding these two donations should be further reviewed and consideration given to returning the $17,000 to the college funds.

Financial Information for 2003-04

In the 2003-04 fiscal year there were two significant events that occurred; 1)The foundation received a donation of the Lassen Banner Hospital complex, and 2) The foundation purchased certain assets and the right to operate the Eagle Lake Marina. Due to the complexities of accounting for this retail activity, the foundation utilized a local CPA firm to compile the financial information.

Please see the next two pages for the Lassen College Foundation Statement of Financial Position and Statement of Activities and Changes in Net Assets as of June 30, 2004.

Lassen College Foundation Statement of Financial Position, June 30, 2004						
	Eagle Lake	**Foundation**		**Per Compilation**	**Audit Adjustments**	**Audited**
Assets:	6/30/2004	6/30/2004		6/30/2004		Balance
Petty Cash	$ -	1,000		$ 1,000	$ 1,000	$ 2,000
Cash in County Treasury		206,528		206,528	(42,993)	163,535
Cash in Banks	83,469			83,469	(2,335)	81,134
Total Current Assets	83,469	207,528		290,997	(44,328)	246,669
Accounts Receivable				0	2888.91	2,889
Deposit	1,000			1,000		1,000
Inventory	48,966			48,966		48,966
Total Other Assets	49,966	-		49,966		52,855
PP&E (net of depreciation)		886,667		886,667	(500,267)	386,400
Total Assets	$ 133,435	$1,094,195		$ 1,227,630		$ 685,924
Liabilities and Net Assets						
Accounts Payable	$ 10,632			$ 10,632	$ (10,632)	$ -
Other - Eagle Lake Marina	98,868	(18,261)		80,607	(14,562)	66,045
Total Liabilities	109,500	(18,261)		91,239	(25,194)	66,045
Net Asset:						
Unrestricted	23,935	1,104,906		1,128,841		612,329
Temporarily Restricted		7,550		7,550		7,550
Total Net Assets	23,935	1,112,456		1,136,391	-	619,879
Total Liabilities and Net Assets	$ 133,435	$1,094,195		$ 1,227,630		$ 685,924

Lassen College Foundation
Statement of Activities and Changes in Net Assets, June 30, 2004

	Eagle Lake	Foundation			Adjustments	Audited
	6/30/2004			6/30/2004		6/30/2004
Revenues and Gains:						
Contributions, Gifts and Grants		$ 903,985		$ 903,985	$ (510,000)	$ 393,985
Property Insurance Claim		233,448		233,448		233,448
Eagle Lake Marina	77,871			77,871	1,815	79,686
Interest		1,776		1,776		1,776
Total Revenue	77,871	1,139,209		1,217,080		708,895
Expenses						
Cost of Goods Sold	34,063			34,063	18,060	52,123
Eagle Lake Marina Other	19,873			19,873		19,873
Material and Supplies		3,574		3,574		3,574
Contributions		5,333		5,333		5,333
Depreciation		13,333		13,333	(9,733)	3,600
Utilities		7,238		7,238		7,238
Repairs and Maintenance		58,166		58,166		58,166
Legal and Professional Fees		2,702		2,702		2,702
Total Expenses	53,936	90,346		144,282	8,327	152,609
Increase (Decrease) in Net Assets	23,935	1,048,863		1,072,798		556,286
Net Assets - July 1	-	63,593		63,593		63,593
Net Assets - June 30	$ 23,935	$1,112,456		$1,136,391		$ 619,879

Financial Statements
VLS met with a representative of Haws, Theobald & Auman, and made the following adjustments to the compiled financial statements.

1) Cash in Bank – There was no bank reconciliation available for June 30, 2004. VLS therefore prepared a reconciliation and adjusted the account accordingly. The difference resulted in a reduction of cash in bank of $2,335.

2) Petty Cash – The compilation reported only $1,000 of petty cash. However, there was actually a change fund established for $2,000. This resulted in an increase of petty cash and a corresponding decrease in expenditures.

3) Cash in County – The CPA did not have supporting documentation regarding where this amount was derived. VLS reduced the amount of cash in county by $42,933 to reconcile the account with the county confirmation records and other supporting documentation.

4) Accounts Receivable – There was no accrual on the financial statement for interest or sales receivables. This resulted in an increase in receivables of $2,889.

5) Fixed Assets – Based on information obtained regarding the donation of the hospital, VLS reduced the fair market value by $510,000. This was based on information obtained from a local realtor and a recent offer to purchase the property. There has not been an official appraisal completed of the property. However, VLS assumes that the offer to purchase represents the fair market value. Depreciation was also adjusted accordingly.

6) Accounts Payable – Amounts were accrued that were in error. For example, there was a liability set up for payroll of $10,784, but this amount had already been credited against the foundation account. In addition, there were items included in accounts payable, but supporting documentation for the items was not available or confirmed. VLS reduced the payable account by an additional $14,410 for unsubstantiated payable amounts.

The financial statements presented have been prepared with the adjustments noted above. VLS has provided its opinion on these financial statements. The net result of changes to the compiled financial statements is a reduction to net assets of $507,024. Please see Appendix E to this report for the audited financial statements.

Findings and Recommendations

The following items were noted during the conduct of agreed-upon procedures.

1 . Donation Related to Cogeneration

As noted earlier in this report, there was a donation received from Sierra Pacific Industries for $17,000 during the 2002-03 fiscal year. Based on VLS's understanding of this donation, it appears that these monies were directly related to the purchase of equipment from the cogeneration plant. Since this plant is part of the assets of the college, VLS believes this transaction may have diverted monies to the foundation that should have gone to the general fund of the college. These monies should be returned to the college or a written legal opinion should be provided to establish the legality of this transaction.

2. Donation from J. Robison

There was a $21,000 donation received in 2002-03 from J. Robison. The district was unable to locate supporting documentation for the donation. The information regarding this donation is conflicting, in that per the minutes for the foundation, the donation was from an anonymous donor and unrestricted. However, per the President of the college, this donation was originally meant for the wrestling booster account. If this was the intent for the money, it should have been deposited into the wrestling booster account within the general fund of the college (account 9513.09). The donor should be contacted by the college in writing to clarify the donor's expectations. Based on verbal information received by VLS, it may be more appropriately accounted for in the wrestling booster account. In the future, all transactions should be supported by written documentation and the appropriate value stated by the college for tax considerations.

3. Financial Reporting

Financial reporting for the foundation is not adequate. The foundation board is not receiving timely financial reports. A financial report was presented only once in the foundation minutes in the past three years. Monthly financial statements should be presented to the foundation board. These financial reports should include adequate information on the Eagle Lake Marina and on other expenditures made from the foundation. VLS was informed that the foundation has contracted with a local CPA firm to assist in this process and has created a separate bank account for foundation activities. This process is still under way. Therefore, VLS is unable to comment on whether the new system is working and providing adequate financial reports, but offers the following suggestions based on observations from the prior CPA:

- A computerized general ledger was prepared for the Eagle Lake Marina only. Therefore, the combination of the other activities was done manually and no support was maintained for the entries. One general ledger should be maintained for all foundation activities.

- Bank reconciliations should be prepared for all bank accounts and maintained for audit.
- A physical inventory count should occur periodically and always at year end.
- Schedules of accounts receivable and payables should be maintained for audit. This schedule should include an aging report.
- Income tax liabilities associated with the unrelated business income should be reported in the financial statements monthly.
- The activities of the marina should be reported separately to assure that the foundation can monitor its profitability. This can be done within the one combining financial report.
- The activities of the purchase of the marina will need to be incorporated once the terms are finalized.
- An individual within the foundation should take responsibility for reviewing these financial statements monthly.
- Budgets were not prepared for approval by the foundation board. Budgets should be prepared for both the marina operation and the other activities of the foundation.

4. Eagle Lake Marina Controls
VLS visited the Eagle Lake Marina site to gain an understanding of the internal controls in place. VLS has the following suggestions for improvements in controls:

- Only one person is typically present to count cash. Having two people present for cash counts reduces the possibility of theft. Two people should be present when possible.
- A physical inventory count is taken only once per year. To provide a closer monitoring of the store inventory and to identify variances in a timely manner, inventory should be taken more frequently.
- Current procedures allow for refunds without signature by the customer and/or authorization by the store manager. This practice could subject the store to excessive refunds. A signature should be obtained from the customer, which will reduce the risk of store clerks issuing refunds to themselves. A policy should be implemented to require the approval of the store manager for all receipts issued over a specified amount. This amount is up to the store manager, but could be $50 to $100.
- The documentation used for boat slip rentals is not pre-numbered and oftentimes is not fully completed. This made it impossible to verify that money received for boat rentals was fully accounted for. The lack of pre-numbered documents, makes it easy for monies to be collected but not deposited. Forms for all rental activities should be pre-numbered, which will allow a tracking system that will assist

in reconciling revenues received for this purpose. It will reduce the likelihood of unreported revenues. This would be true for all types of rentals including boat slips, boats, bikes, fishing licenses, and campsites.

- Employees working in the marina store are not bonded. This should be considered.

5. Scholarships

According to the foundation minutes, there is a committee that reviews scholarship applications and makes decisions on who receives them. Based on a brief review of activities in the 2004-05 fiscal year, VLS became aware of many scholarships that were given but were not approved by the foundation board. This issue was discussed in VLS' original report. (See Finding #4 and Exhibit C). All scholarships should be given through the scholarship committee, and full disclosure of these scholarships should be documented in the foundation minutes. This will alleviate the concern regarding the perception of preferential treatment by the President to certain students. This will also provide the board with a complete understanding of how the scholarships are awarded and accounted for by the foundation.

6. 2004-05 Financial Statements

VLS believes that the beginning balance information for the foundation for 2004-05 should be derived from the financial statements included in this report. It should be noted that even though VLS' original procedures intended to include the review of 2004-05, there were no financial reports available for audit at the time of our report.

7. Control and Oversight of the Foundation

When the foundation was reorganized in January 2003, nine board members accepted roles within the organization. Four of the original nine members resigned from the board prior to their term ending. Several reasons were given for the resignations; one of the main reasons was that timely financial information was not provided to the board. This is borne out by the minutes in that no financial statements or treasurer reports were submitted with the majority of the minutes. Other reasons noted for the resignations were that the meetings were not planned by the President of the foundation but by the college President, and often at the last minute. Some members of the board alleged that they did not trust the college President because foundation business activities lacked transparency. Some members believed that the hospital donation was agreed upon under false pretenses or insufficient research about the usefulness of the facility.

Several scholarships provided by the college President did not go through the approval process of the foundation board and were not disclosed in the foundation minutes. On August 10, 2004, 27 students were given general scholarships authorized by the President, totaling over $16,000. There were allegations by foundation board members that these scholarships, given outside the purview of the foundation board, were related to helping out the sports programs. A schedule was provided, at the request of FCMAT's contracted accountancy firm, listing the names of these students and whether they were involved in a sport. It shows that 26 of the 27 were involved in athletic programs. In addition, the majority of the students were from other states or countries (please see Appendix D).

Sufficient oversight of the foundation is lacking when financial activities within the foundation are not reported to and/or approved by the foundation board.

Summary

The 2004-05 audited financial statements are being prepared by Nystrom and Company, the college's independent auditor, and are scheduled to be completed on or before December 31, 2005. The 2002-03 fiscal year activities are auditable, but the validity of the revenues reported for that year is questionable.

Specific concerns have been identified regarding the validity and appropriateness of financial transactions for the 2002-03 and 2003-04 fiscal years. The majority of the items listed in the Chancellor's report relate to the 2004-05 fiscal year, which will need to be considered when that fiscal year is audited. VLS did not uncover any evidence of fraudulent activities regarding the transactions tested in the years that were reviewed.

The final objective was to determine whether further investigation is warranted. Further accounting processes and procedures are necessary to ensure that the foundation activities are properly accounted for and that confirmation and reconciliations are completed for all asset accounts. For 2004-05, a significant amount of work needs to be done to assure that the transactions of the marina and the foundation account held with the college are properly integrated. Financial statements should be prepared with appropriate disclosures to ensure they are in an auditable format. The audited financial statements should be used for beginning asset balances for 2004-05.

Minimum Conditions Complaint Review and Status

On June 20, 2005, the Lassen Community College District received from the California Community Colleges Chancellor's Office its legal opinion regarding the "Minimum Conditions Complaint Investigation and Apportionment Review Preliminary Findings and Conclusions." The review resulted in findings that may require the college to repay or otherwise offset to the state approximately $1.7 million pending the final outcome of the findings and response by the college. The review reports that Lassen College violated various minimum conditions for receipt of state aid and other requirements for claiming state apportionment funding. The review period extended from the summer term of 2003 through the spring term of 2005, and college staff identified approximately 283.21 credit and 295.24 non-credit Full Time Equivalent Students (FTES) that *may* be decertified. Any repayment schedule less than a multiyear term could have a severe fiscal effect on the college's commitment to provide academic services to students in the area.

Finding I.A.: The college faculty hiring process does not comply with state equal employment opportunity regulations.

FCMAT Findings

The college does not comply with current state equal employment opportunity regulations. It has not employed a fully competent human resources professional for many years. In fact, FCMAT found from interviewing management and technical staff that have been continuously employed at the college for greater than 20 years each that the human resources function has not had a management-level administrator for at least 15 of the past 20 years.

The employee currently assigned to the human resources lead role did not appear aware of the need to immediately update policy and practices to comply with current law and regulation. On a positive note, faculty and management positions are now recruited through the CCCCO Job Registry and are more often advertised in local and regional newspapers than has been the case in the past several years.

Recommendations

The college should review the criteria for equal employment opportunity regulations and update the college's personnel policies.

Finding I.B.: The college has no standardized system for recruiting part-time faculty.

FCMAT Findings

The college has made limited progress in utilizing a process for the broad recruitment of part-time faculty.

Beginning in fall 2005, advertisements are made in local and regional newspapers for known part-time faculty recruitments. Applicant pools are established in this manner. The

Dean of Instruction is actively involved in determining part-time faculty hiring needs and overseeing the advertisement process. It will take time and training for department chairs and other individuals responsible for hiring decisions to be knowledgeable of and adhere to a proper and standardized system of hiring part-time faculty. FCMAT found that many part-time faculty currently employed by the college were hired in the absence of standardized recruitment processes.

Recommendations

The college should immediately institute a formal educational program review and an examination of individual part-time faculty qualifications. This will help the college to determine the courses and the number of sections to be maintained in light of severe funding limitations and the decertification of courses resulting from the Minimum Conditions investigation. In addition, these processes would provide for the review of all part-time faculty qualifications under both minimum qualification criteria and equivalency determination for teaching assigned courses. This process will better ensure that all courses are being taught at the rigor expected for college-level courses and with documented learning outcomes.

Finding I.C.: Equivalency hiring is not properly disclosed.

FCMAT Findings

The college now places equivalency hiring status on Governing Board agendas and discloses whether a new full-time or part-time faculty member is hired through an equivalency application and approval process.

Recommendations

As noted in I.B. above, all part-time faculty teaching qualifications should be systematically reviewed to ensure they meet legal standards and the personnel files contain current and accurate information.

Finding I.D.: No standardized system ensures that instructors meet minimum qualifications.

FCMAT Findings

Partial progress has been made to establish and follow a system to ensure that all faculty meet minimum qualifications to be employed and to teach classes.

The Dean of Instruction, with the assistance of the Instruction Office and Human Resources staff, has initiated a process to examine all personnel files on existing full-time and part-time faculty to ensure that all faculty meet minimum qualifications. FCMAT is especially concerned that faculty teaching physical education, mechanized agriculture, cosmetology, fire science and administration of justice may not be qualified.

The Academic Senate is a party to the review and eventual determination of whether both full-time and part-time faculty meet appropriate standards for teaching. The documents reviewed by FCMAT show that forms and procedures are in place to provide for the review and recording of action taken by the Academic Senate in these matters.

The required assessment for all faculty in the above courses was under way at the time of FCMAT's fieldwork, but was not sufficiently complete to support a finding that the college would meet the October 31, 2005 time line for completion stated in the Minimum Conditions investigation. FCMAT reviewed the personnel files for several mechanized agriculture faculty in accordance with current standards and found that some individuals do not meet the education or unique work experience standards to support an equivalency determination. FCMAT fully expects that the assessment now under way will result in discontinuing the use of some part-time faculty in mechanized agriculture and possibly other subject areas. The college disputes findings in this area based on a review of policies and Academic Senate procedures in place during the period of 1990-1994.

Recommendations

A written legal opinion should be provided to clarify the prior precedent set by Academic Senate policies and its applicability to this finding.

Finding I.E.: The college misuses “instructor of record” options.

FCMAT Findings

Partial progress has been made in assessing the qualifications of individuals actually assigned to teach courses where an instructor of record is shown on the course schedule. Based on the responses of individuals interviewed, the college was not likely to meet the October 31, 2005 time line for completion stated in the Minimum Conditions investigation.

The college contends that it is principally the role of the Academic Senate to review course teaching techniques and that the role of administration in this regard is severely limited.

Recommendations

The college administration should take responsibility for the legality of courses offered. This should include the determination of who is teaching and their qualifications.

Finding I.F.: Faculty/student ratios are not monitored.

FCMAT Findings

The Dean of Instruction is monitoring the faculty-to-student ratios to ensure that they are reasonable. It is customary for class size to be a negotiable matter. Often, class size and faculty-to-student ratios are set through the collective bargaining process.

Recommendations
The collective bargaining contract with CTA should be reviewed by the college district legal counsel for clarification of this matter. Fitness Center and other physical education courses must also be closely monitored to assure that the assigned instructor is capable of supervising the class. FCMAT finds that PE 179 is no longer offered in a manner that would allow huge faculty-to-student ratios. Legal review of the collective bargaining contract and institutionalization of Instruction Office review of class sizes will ensure reasonable class sizes in the future.

Finding I.G.: The college President asked faculty to waive their salaries.

FCMAT Findings
FCMAT cannot conclusively determine whether college faculty or other staff members were asked to work for no compensation.

Information collected by FCMAT indicates that instructors in the Physical Education Department were informed that the foundation planned to conduct instruction for college-enrolled students. Faculty could elect to donate their teaching time to the foundation.

Recommendations
Further inquiry in this matter may conclusively determine whether the college President asked faculty to waive their salaries. Specifically, statements should be taken from the women's softball coach and the volleyball coach.

Finding II.A.: Course approval and advertising processes are deficient.

FCMAT Findings
The college acknowledges that one course was offered in the pre-fall intersession before being approved by the board. The Dean of Instruction is now monitoring all new courses for board approval before they are scheduled. Previously, the board approved courses once a year. Now the Curriculum Log goes to the board monthly for approval.

For system approvals, where required, the Dean of Instruction has identified the regional group required for vocational course/program review and the steps necessary to obtain system approval of new courses and programs.

Recommendations
The college must review, identify and eliminate the apportionment for any class not approved by the board prior to its start date.

The same procedures should be used for all course approvals. The Instruction Office should administer the course approval process to ensure Faculty Senate action and Governing Board and State Chancellor Office approvals as appropriate.

The Instruction Office should immediately institute procedures for the timely review of courses. These procedures should ensure submittal for review and action in accordance with Title 5, Section 55002(a)(1) by the Academic Senate composed of a committee of faculty members, and approval by the Governing Board. The former process for periodic ratification of new courses by the Governing Board should cease immediately.

Finding II.B.: Online college information is deficient.

FCMAT Findings

Online college information is deficient. Management must ensure that an effective means of communicating college course offerings is implemented. The college Web site does not list courses, does not provide a link to the course schedule, and does not otherwise effectively communicate course information to the public online. The college does not provide telephone registration or online registration options. Students must come to the college admissions office to enroll in the college and to schedule classes.

The college recognizes that the Web site is deficient, and has contracted for the development of an improved site. However, no improvements have been made to enable use of the Web site for online or other course information purposes. Until the Datatel software is operational, the update will probably be postponed.

The college advertises courses in local and regional newspapers. Course additions made after the course catalogue is published are also advertised in the local newspaper. The local newspaper is free to the public and is widely read by current and potential students.

Recommendations

The Web site should be immediately improved to provide important college information, including a listing or a link to view all courses. The college catalogue and newspaper advertisements should promote the improved Web site. This will lead to enrollment growth in courses, especially online courses. Conversion to the Datatel system will significantly improve Web-based data recording for students and staff. However, work on improving the Web site can be completed without waiting for the new system to be completed.

Finding II.C.: The college does not advertise all courses or provide meaningful course information.

FCMAT Findings

The college is making a systematic effort to advertise all courses. The current course schedule is generally a good source of information on courses offered. However, the college still adds a substantial number of courses or changes the course schedule after the start of the term. This is confusing to the public and results in inefficiently low class sizes or dropping of sections after the start of the term. The college suffers from loss of enrollment and continuing course sections that are not economically viable.

The Dean of Instruction has instituted a process to advertise all classes before they begin. Ads are placed at the dean's direction. Because the local newspapers are weekly, radio ads are used when necessary. The dean also plans to greatly reduce the number of classes that do not appear in the class schedule. The dean will submit a list of courses to the President's Office, if any, that were not advertised prior to their start date.

There was a prior lack of leadership in the Dean of Instruction position and in the communication between the Dean of Instruction and the Director of Admissions and Records with regard to coding contract education courses. Because the process for enrolling and paying for contract education classes is so different from apportionment-driven credit classes, accidental miscoding would be highly unlikely.

Recommendations
Sufficient planning should occur before the college catalogue and course schedules are printed to reduce the need for additions or changes. The administration should critically examine any course that is listed as "by arrangement" and endeavor to minimize the number of such courses.

The college must submit management information system (MIS) reports that accurately reflect its offerings. FCMAT did not have the time or resources to more thoroughly examine this issue.

College staff reported to FCMAT that a number of contract education classes that were reported for apportionment have been decertified.

State Prison Courses

FCMAT Findings
The college maintains that the only courses taught at the state prison are open correspondence courses, as well as advertised courses and a counseling course that are required of EOP students. The counseling course is not open to others and is not eligible for apportionment.

Recommendations
The EOPS course offered at the prison should be reviewed for compliance by the college administration and by the State Chancellor.

Finding III.A: The college restricted course enrollment.

FCMAT Findings
The college now requires that parents and principals ensure that the 5% limitation is followed and that they provide the signatures of those authorized to sign for special admissions, with the printed names also required. Thus, the college has acted to require adherence to the special admissions pupil restrictions.

Recommendations
None.

Finding III.B.: The college appears to restrict enrollment in other programs.

FCMAT Findings
The college offered a contract education class in the county jail in fall 2003 but decertified this apportionment.

Recommendations
No contract education courses should be reported for apportionment.

Finding IV.A: There has been misuse of PE 179 and other physical education offerings. PE 179 was improperly offered as a sports class.

FCMAT Findings
The college has withdrawn apportionment from all PE 179 classes from summer 2003 to the present, except sections 8035 and 1017.

Recommendations
The college should evaluate all PE courses to ensure that apportionment enrollment reports are accurate.

Finding IV.B.: The college improperly claims apportionment for equipment or facility use.

FCMAT Findings
The college admits there were previously some problems in the Fitness Center. The Fitness Center is now overseen by a full-time faculty member, and all faculty are reported to have appropriate FSAs for Fitness Center assignments. FCMAT received no information or assurances on how the classes are conducted, i.e., orientation, assessment of fitness, plans to increase fitness, or how the course outline was followed.

The college has moved to enforce the minimum qualifications of Fitness Center faculty members. The college has not dealt with the issue of whether the course outlines for both swimming and Fitness Center classes were or are followed.

Recommendations
The college must verify that the Fitness Center and swimming courses meet standards of Section 55002 of Title 5.

Finding V.: The college lacks effective controls over attendance accounting processes.

FCMAT Findings
The college does not have an effective procedure for the review and recording of student attendance in positive attendance or non-credit classes. No information was found that there has been a change in either the written directions or the manner of review and collection of attendance records. No action has been taken to adhere to the Minimum Conditions Complaint Investigation requirement for the college to secure such verifications.

Recommendations
Training should be provided for faculty and administration on the requirements for attendance accounting. Faculty who taught PE 179 from summer 2003 through summer 2004 should provide certification that they met with their assigned classes during this period.

Finding VI.: Course repetitions, overlapping, and conflicting attendance violate the standards of scholarship minimum condition and apportionment requirements.

FCMAT Findings
The Lassen College catalog lists all PE theory courses as being repeatable once. The Academic Senate/Curriculum Committee is reviewing all courses involving stacking and repeatability. An electronic petition is being generated by Admissions and Records when a repeat is requested by a student. How this petition is used is not clear.

The college presented no explanation as to how each PE Theory and Health 79 course satisfies the requirements of Section 58161. Thus, at the time of FCMAT's fieldwork, the college had not fully complied with the October 31, 2005 requested action.

Recommendations
The college must comply with the required action if it wishes to count repeated enrollment in PE Theory and Health 79 courses for apportionment.

Finding VI.B.: The college has no effective means of managing repetition requirements.

FCMAT Findings
No action has been taken.

Recommendations
The college must meet the required action.

Finding VI.C.: The college improperly claims apportionment for repetition of courses within the same activity and may violate minimum condition grade point average standards.

FCMAT Findings
The PE Department is now reviewing its entire curriculum. No other action was reported.

Recommendations
The college must assess all of its PE courses to determine if they are courses in the same activity, review student enrollments to see if any students had more than four enrollments per activity, and adjust apportionment accordingly.

Finding VI.D.: The college has no effective controls to prevent overlapping or double student enrollments.

FCMAT Findings
The college has eliminated all overlapping classes of greater than 30 minutes of overlap for the fall semester. For overlapping classes of 30 minutes or less, the Dean of Instruction must sign off for approval and ensure with the faculty member involved that the instructor makes up the time with the student.

The Director of Admissions and Records told FCMAT on the last morning of the team's visit he had run a 5% random sample of students, testing for overlapping classes for the summer 2003 to summer 2004 period. The data has not been analyzed.

Recommendations
The Director of Admissions and Records should perform sample data testing and perform the necessary perfunctory analysis.

Finding VI.E.: The college should review its noncredit course repetition practices.

FCMAT Findings
The Director of Admissions and Records reported that noncredit courses were not saved in the computer's historical files. Therefore, these courses could not be flagged when repeated. CCCCO Legal Advisory 04-01 advises that noncredit courses do not have the same limitations or course repetitions that credit courses have. New student orientation was discussed with all the staff interviewed by FCMAT. Not all students can take the orientation class when they are first-time, new students. The class information is useful, however, whenever the class is taken.

Recommendations
Noncredit courses that are repeated should be reviewed for the benefit to the student. PE 179 repetitions cited in Legal Opinion S-05-06 are the most egregious examples of abuse.

Finding VII.: Stacked courses violate apportionment requirements.

FCMAT Findings
No action was reported.

Most of the staff interviewed expressed views that stacked labs in the same area (biology, chemistry, etc.) are appropriate. In the department at issue, Physical Education, no opinion was expressed. The curriculum committee is reviewing the issue. A policy statement is also being developed. However, no one seems to have the responsibility for completing the required action.

Recommendations
The college must comply with required action VII in Legal Opinion S-05-06, page 25.

Findings VIII A, B, C: Instructional offerings outside the college boundaries and/or by contract may be ineligible for apportionment.

FCMAT Findings
The President reported that all non-vocational courses in Nevada were reviewed and apportionment was eliminated. A list of decertified courses was provided dated 9-21-05. Thus, the college appears to have complied with the required action that was due October 31, 2005. Since the decertified list does not identify location, it cannot be verified.

The college has been allowed to continue offering cosmetology courses in Nevada through December 31, 2005. Before offering its cosmetology courses after that time, the college must verify that its cosmetology program meets all applicable statutory and regulatory requirements listed in Legal Opinion S-05-06.

FCMAT was informed that all out-of-district mechanized agriculture courses had approvals by the involved districts except the Kern District, which declined to approve. None of the specific information in the required Action VIII C-1, page 29 of Legal Opinion S-05-06 was provided.

Recommendations
Prior to continuing the mechanized agriculture program the college must comply completely with the required action listed in Legal Opinion S-05-06, in Section VIII C-1, pages 28-29.

VIII.2.: Minimum qualifications of instructors

FCMAT Findings
The instruction office is reviewing the instructors in question. FCMAT reviewed several of these files with the Dean of Instruction and identified some of the structural problems with the FSA/equivalency process.

In two of the files reviewed, both instructors held lifetime credentials for adult students. They both also held temporary credentials that expired in 1989-1990. They had no equivalency for an FSA, and did not have one when FSAs came into law with AB 1725 or subsequently.
The equivalency process involves one member of the Academic Senate. This person receives the request for equivalency, sends it to the department of interest, and attempts to get three responses. If only one person recommends approval and no one else responds, that recommendation goes to the Dean of Instruction. In the past, equivalency would be granted without question. At Lassen College, the average number of different FSAs per instructor is nearly four per person, with some faculty having eight FSAs.

The review of qualifications for part-time faculty has not been done in any systematic way for a number of years. It appears that the equivalency process may have been used to protect the jobs of senior faculty in case of layoffs.

Recommendations
The college should immediately institute a structure process for determining FSA of new faculty hires and for all part-time faculty to ensure that appropriate professional standards are met.

Finding IX.A.: The Lassen College Foundation does not comply with current auxiliary organization laws.

FCMAT Findings
The college has not provided a legal analysis or any documentation that would support the college position that the Lassen College Foundation should continue to operate under the pre-1980 laws governing such organizations. Comments made by college staff indicate that the foundation ceased all activities other than the deposit of interest earnings on a carry-forward balance of approximately $25,000 for several years.

Recommendations
This matter is properly addressed by legal opinions made by the State Chancellor or other experts in this field.

Finding IX.B.: The college improperly provided general fund money to the foundation.

FCMAT Findings
Two transfers were made from the general fund to the foundation in the amounts of $7,459 on August 16, 2004 and $15,759 on September 10, 2004. On July 14, 2005, the district received a check from the foundation of $15,759, and on July 20, 2005 it received a check for $7,459. Both checks have been deposited to the general fund. The money that had been improperly transferred has been returned. FCMAT did not find any other general fund transfer to the foundation. The source of funds for foundation expenditures over the past seven years is apparently not college district general fund money.

Below is the status of college district and foundation audits:

- The 2003-04 college district audit was accepted by the Governing Board in May 2005 and has been filed with the State Chancellor and other agencies.
- The 2004-05 college district audit is being done by Nystrom Accountancy Company and is expected to be presented at Governing Board meeting in December 2005.
- The 2003-04 foundation audit is under way. FCMAT has contracted with the firm of Vicenti, Lloyd & Stutzman to perform the audit.
- The 2004-05 foundation audit is a component of the college district audit and is expected to be completed and presented to the Governing Board in December 2005.

Recommendations
The college should specify in future contract annual audits that a review is made of general fund expenditures for foundation purposes to ensure the proper use of general fund money.

Finding IX.B.1.: Noncredit Memorandum of Understanding

FCMAT Findings
FCMAT makes no findings on whether the college paid the foundation pursuant to a MOU approved by the Governing Board in May 2004. FCMAT found no written response and was not provided any other information that the college has begun an accounting of how much money was paid under the MOU or what costs were incurred by the foundation in performing services under the MOU.

Recommendations
The college should respond to the action required in the Minimum Conditions Complaint Investigation.

Finding IX.B.2.: Credit Memorandum of Understanding

FCMAT Findings
FCMAT makes no findings on the matter of the spring 2004 Walking for Fitness course

or the appropriateness of making a general fund transfer to the foundation for conducting such credit instruction. The time available for interview of college staff and review of financial records was not sufficient to make a finding in this area.

Recommendations

The college should respond to the Minimum Conditions Complaint Investigation by providing a written report explaining the Walking for Fitness course enrollment process, a list of faculty that provided instruction, and an accounting of the source of funds used by the foundation and expenditures incurred.

Finding IX.C.: The college must verify that the foundation funds scholarships from appropriate foundation resources.

FCMAT Findings

General fund transfers were made to the foundation, and foundation checks to return general fund monies were received. It does not appear that general fund moneys remain in foundation accounts.

The college had not responded to the questions of whether students were considered employees of the foundation or whether scholarship recipients were required to work as a condition of receiving the scholarship.

Recommendations

The foundation should list all payments for student scholarships or for enrollment fees starting with the summer 2003. The firm performing the 2004-05 audit should be instructed to review this list through sampling or other testing to verify that the payee received the appropriate scholarship or enrollment fee payment.

The college should respond in writing to the questions of whether students were foundation employees and whether scholarship recipients were required to work as a condition of receiving a scholarship.

Finding IX.D.: The college uses its employees to do the work of the foundation and its commercial operations.

FCMAT Findings

FCMAT did not have sufficient time to interview employees who may have worked for the foundation or to discuss this issue with foundation board members. Based on the comments of the Dean of Administrative Services, it appears that college business office or other administrative support for the foundation was not significant. The consideration received by the college in the form of student scholarships and general community awareness of college programs may be sufficient compared to the costs to provide the foundation with support services.

Recommendations
A master agreement should be written to define the roles of the foundation and the college. The agreement should describe any college staff, office space and equipment or other support provided to the foundation and the considerations to be provided by the foundation to implement the college's mission and goals.

Finding X.A.: The college faces potential fiscal shortfalls.

FCMAT Findings
For the 2005-06 fiscal year, the district's forecasted ending fund balance exclusive of the required minimum 5% reserve for economic uncertainty is $795,732. The district may not meet criteria for an acceptable budget for the 2006-07 fiscal year unless major reductions in ongoing costs are made without further reducing FTES that generate apportionment income. All college instructional and support programs will need to be analyzed for cost effectiveness, performance of legal obligations and impact on student enrollment.

Recommendations
The college should produce a two-year budget plan for the 2005-06 and 2006-07 fiscal years showing realistic revenue projections based on the reduced programs and revenue resulting from the Minimum Conditions Complaint Investigation. The two-year budget should be based on the results of educational program planning to ensure that college revenue is spent on program priorities.

The college also should file the 2004-05 audits for the district and the foundation by December 31, 2005.

Finding X.B.: The college does not consistently charge fees for community services classes and disclose those fees to the public.

FCMAT Findings
FCMAT could not gather sufficient information on community service classes or fees charged to reach a conclusion on college practices regarding these classes. The college does not perform a cost accounting of its community service classes and does not consistently attempt to project costs at the beginning of a term or record actual costs to ensure that no general fund money is used to support these classes.

Recommendations
As soon as is feasible, the college should prepare a report showing all community service classes, a cost accounting for each class, and a comparison of fees charged to costs incurred. The audit firm should be instructed to sample the cost accounting and the fee charge for select classes to determine if any general fund money is used to support these classes.

Finding X.C.: College apportionment information is not wholly reliable.

FCMAT Findings
FCMAT also finds that the college apportionment information is not wholly reliable.

Recommendations
The cost accounting should be compared to the fee charge analysis noted in Finding X.B. above. The review conducted by the audit firm should be presented to the State Chancellor no later than December 31, 2005.

Finding X.D.: Alleged financial aid to athletes should be reviewed in conjunction with the audit of the foundation.

FCMAT makes no findings or recommendations in this area.

Finding X.E.: Carpentry class

FCMAT Findings
A carpentry class was taught in fall 2003. Oral information provided indicated that two faculty members taught the course and that the class enrollment was one. The one student attending the class was a high-level college employee. The scheduling and continuation of this course raises many policy, financial, operational and ethical questions.

The college should develop and adhere to a policy to offer courses that are of value to a number of students, as well as a policy that assures that all employees are conducting college business during the assigned workday. Courses should usually not be offered if the cost of instruction far exceeds apportionment or revenue received unless that course fulfills a college educational goal and mission to serve the community. Courses should be regularly and consistently reviewed by the Instruction Office to ensure their educational benefit and priority.

Senior college management should set an example during the normal workday of being productive and never putting personal gains over the needs of the college. Attendance by a high-level college employee as the single student in this carpentry class that meets for an eight-hour period on a normal workday is inconsistent with the above policy, financial, operational and ethical statements.

Recommendations
The college should respond to the actions required in the Minimum Conditions Complaint Investigation, and to the issues raised above.

Conclusions

The college has not seriously addressed many of the Minimum Conditions Complaint Investigation findings and actions. At the time of FCMAT's visit, there were insufficient personnel in the organization to ensure that accurate and timely responses were made to each finding and action required. It was highly unlikely at the time of FCMAT's fieldwork that the college would satisfactorily respond in several areas by October 31, 2005 and the other time lines provided in the State Chancellor's report.

During FCMAT's interviews and document review, team members did not find any overall strategy or any written assignment of responsibility for addressing issues or preparing responses. Since FCMAT's initial visit, the college has documented a response team consisting of legal counsel, the Director of Admissions, the Dean of Instruction and the President and has prepared a partial response to the Chancellor's Office.

Problems in adhering to legal requirements concerning human resources matters may be the result of a void in hiring a competent human resource professional to lead this area of college management.

Problems in course approval, enrollment restrictions, faculty duties for attendance accounting, course repetitions and other instructional matters may be the result of organizational confusion concerning management and Governing Board roles and authorities. The Instruction Office should be given the charge and the authority to properly manage these matters in conjunction with the curriculum committee.

Appendices