



# San Jose/Evergreen Community College District

## Management Assistance Review

June 11, 2010

Joel D. Montero  
Chief Executive Officer







June 11, 2010

Doug Treadway, Acting Chancellor  
San Jose/Evergreen Community College District  
4750 San Felipe Road  
San Jose, California 95135

Dear Acting Chancellor Treadway:

In February of 2010, the San Jose/Evergreen Community College District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to provide an investigation of alleged financial impropriety of the SJECC. Specifically, the agreement states that FCMAT will perform the following:

1. In accordance with Education Code Section 84041 (g) (1) the San Jose-Evergreen Community College District has requested the FCMAT Team pursuant to Education Code section 42127.8 to review the district's budget policies and processes to establish and maintain sound financial and budgetary practices that comply with principals of sound financial management. The analysis will include but not be limited to: requisition and purchasing processes, position control, internal controls, competitive bidding, credit card use, cash management and other internal business practices regarding the expenditure or use of funds. The study will focus on the internal controls and budget practices for the Board of Trustees and administration at both district sites for the purposes of identifying issues of potential fraud, misappropriation of funds or other illegal practices that may threaten the fiscal integrity of the district. The team will provide findings and recommendations to strengthen the district's internal controls.

The attached report contains the study team's findings and recommendations. On behalf of FCMAT, we appreciate the opportunity to serve you and extend our thanks to all the staff of the San Jose/Evergreen Community College District.

Sincerely,



Joel D. Montero  
Chief Executive Officer

FCMAT

Joel D. Montero, Chief Executive Officer

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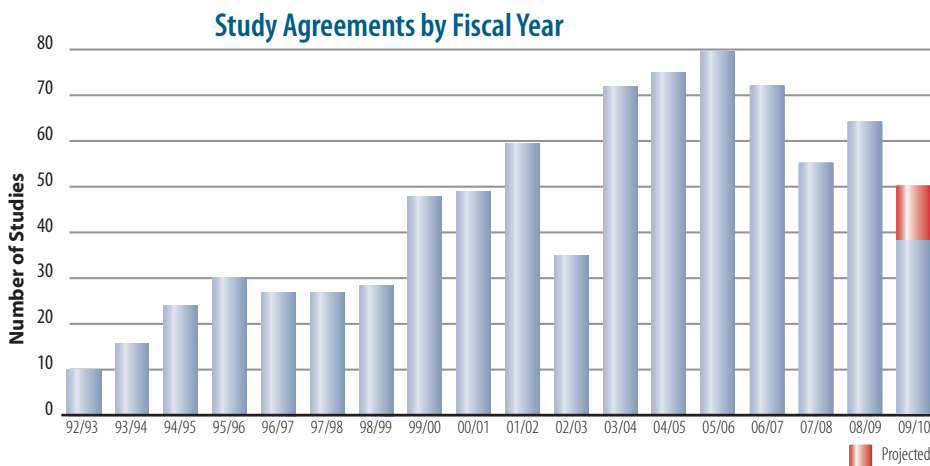
# Foreword - FCMAT Background

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

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

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

Since 1992, FCMAT has been engaged to perform nearly 750 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.



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

**Total Number of Districts in CA.....1,050**

Management Assistance..... 705 (94.886%)

Fiscal Crisis/Emergency ..... 38 (5.114%)

Note: Some districts had multiple studies.

Eight (8) districts have received emergency loans from the state  
(Rev. 12/8/09)





# Introduction

## Background

The San Jose/Evergreen Community College District is composed of two separate colleges: San Jose City College and Evergreen Valley College. The colleges operate under a common district administration and a seven-member board of trustees that establishes the board policies and administrative regulations and approves the annual multifund budget. The district serves approximately 26,000 students annually, of which 82% are from the city of San Jose. Sixty percent of all students are the first in their families to attend college. The district encompasses 300 square miles serving the communities of Milpitas and San Jose.

The district has passed two local bond initiatives. Local and state building funds and private donations were used to construct and modernize existing facilities, including infrastructure upgrades on both campuses. Amenities include new libraries on each campus with state-of-the-art resource labs and technology centers; a new student services facility, biology and nursing buildings; and refurbished athletic fields as well as areas for dining meeting and studying.

In February 2010, the Fiscal Crisis and Management Assistance Team (FCMAT) received a request from the district for assistance in accordance with Education Code 84041(g) (1). FCMAT was asked to review the district's budget policies and processes to ensure that financial and budgetary practices comply with the principals of sound financial management, focusing on proper internal controls, competitive bidding practices, credit card usage, requisition processing, position control and cash management. Under new administrative leadership, the district is concerned that previous management personnel may have engaged in poor business practices and misused their authority regarding travel expenditures. This study was commissioned to determine whether there is sufficient evidence to support these claims.

The study agreement between the district and FCMAT specifies the following scope of work:

1. In accordance with Education Code Section 84041 (g) (1) the San Jose-Evergreen Community College District has requested the FCMAT Team, pursuant to Education Code section 42127.8, review the district's budget policies and processes to establish and maintain sound financial and budgetary practices that comply with principals of sound financial management. The analysis will include but not be limited to: requisition and purchasing processes, position control, internal controls, competitive bidding, credit card use, cash management and other internal business practices regarding the expenditure or use of funds. The FCMAT component of this study will focus on the internal controls and budget practices for the board of trustees and administration at both district sites for the purposes of identifying issues of potential fraud, misappropriation of funds or other illegal practices that may threaten the fiscal integrity of the district. The team will provide findings and recommendations to strengthen the district's internal controls.
2. FCMAT was initially contracted by the District to work in conjunction with the Office of the County Counsel for Santa Clara County and the law firm of Meyers Nave; however, because of timing and contractual issues, the team was unable to reach a final agreement with either entity. The District retained Meyers Nave, a professional law corporation to conduct an external investigation into allegations of financial improprieties by the District's Chancellor. Meyers Nave released a public report of "Alleged Financial

and Administrative Improprieties” submitted to the SJECCD on May 21, 2010 and included the following scope points of the study signed agreement with FCMAT:

- Investigation of alleged financial impropriety. In accordance with Education Code section 84041(g) (1), the FCMAT team will provide management review of the district and its educational programs or an audit of the financial conditions of the district.
- Review decisions made by the previous chancellor regarding the ability to improperly influence any decision relating to the appointments, assignments, promotions, transfers, professional opportunities including travel and business trips, or other job benefits relating to district employees. Completed by Meyers Nave in Public Report
- Evaluate employee appointments, assignments, promotions, transfers, professional opportunities including travel and business trips, or other job benefits to which any employees were not entitled or for which they were not qualified. And if so, did the previous chancellor play a role in receiving those job benefits?
- Review district paid travel claims for employees that were not related to the business of the district, and for which the district did not receive value or services.
- Evaluate the chancellor’s use of district funds for any personal benefit or gain, including but not limited to using public funds for personal travel, goods or services for the chancellor, family members, or friends.
- Review any violations by the previous chancellor regarding any district policy, procedure or term of the employment contract and the utilization of district funds, maintained records of expenditures, or the use of business credit card and/or business accounts. This area of the investigation should report both on any improper expenses and any improper process sued pursuant to district policies, procedures and the chancellor’s contract.
- Evaluate district pay for any travel of the board of trustee members that was not related to the business of the district, and for which the district did not receive value or services for the past three fiscal years.
- Conduct an evaluation of district paid travel for the president of Evergreen Valley College, or the President of San Jose City College that was not related to the business of the district, and for which the district did not receive value or services.
- Conduct an evaluation of the district’s payment for any travel for other district administrators that was not related to the business of the district, and for which the district did not receive value or services.
- Evaluate and compute any improper expenditure of district funds, as outlined above regarding the dollar value of these expenditures.

### Study Team

The FCMAT study team was composed of the following members:

Deborah Deal, CFE  
FCMAT Fiscal Intervention Specialist  
Los Angeles, California

Reagan Romali  
FCMAT Consultant  
Riverside County, CA

Leonel Martínez  
FCMAT Public Information Specialist  
Bakersfield, CA

### Study Guidelines

FCMAT provides a variety of services to community college districts, school districts and charter schools. Education Code Section 84041(g) (1) permits the board of governors and district to request FCMAT's assistance to provide management review of the district, its educational programs and/or audit financial conditions. This review is to determine whether sufficient documentation exists to further investigate the findings and/or indicate criminal activity that should be reported to the local district attorney's office.

Section 84041(g) (1) indicates that FCMAT may assist a community college district to provide management review "of the district and its educational programs or an audit of the financial conditions of the district."

During interviews, the team asked questions pertaining to policies and procedures, internal controls and general business practices as well as open-ended questions designed to elicit information regarding any possible irregularities or misappropriation of funds.

Investigations that may involve fraud or misappropriation of funds consist of gathering adequate information regarding specific allegations and performing audit test procedures to determine whether fraud has occurred, evaluating the loss associated with the fraud, and determining who was involved and how it occurred.

FCMAT developed an investigation plan designed to review and test the application of district internal controls, policies and procedures. In addition, the team conducted a budget and financial analysis of operations related to budget development and monitoring; payroll and position control; cash handling and management of funds; competitive bidding for general purchasing and construction/modernization procedures. The team also performed random-sample tests of transactions to measure the relative risk of fraudulent activity and gather supporting documentation.

This report is the result of the investigation and is divided into the following sections.

- Executive Summary
  - Audit Classifications
  - Internal Controls, Policies and Procedures
  - Budget and Financial Analysis
- Findings and Recommendations
  - Audit Findings, Internal Controls and Segregation of Duties
  - Budget Development/Monitoring and Financial Analysis
  - Policies and Procedures
  - Payroll and Position Control
  - Purchasing and Competitive Bidding
  - Site Business Services Supervisors and Site Level Operations
  - Credit Card Usage
  - San Jose/Evergreen Community College District Foundation

## Executive Summary

The San Jose Evergreen Community College District requested that Fiscal Crisis & Management Assistance Team (FCMAT) assign professionals to study specific aspects of business operations involving internal controls, policies and procedures after receiving information regarding possible violations related to travel and credit card use. FCMAT was initially contracted by the district to work in conjunction with the Office of the County Counsel for Santa Clara County and the law firm of Meyers Nave. The majority of the study's scope of work was developed to include the investigative work of Meyers Nave; however, because of timing and contractual issues, the team was unable to reach a final agreement with either entity. Prior to the initial arrangement involving FCMAT, the district engaged the services of Meyers Nave, a professional law corporation, to conduct an independent investigation into allegations of financial improprieties by the district's chancellor. Meyers Nave released a public report of "Alleged Financial and Administrative Improprieties" submitted to the SJECCD on May 21, 2010, which contained several of the scope points for this study agreement.

In the middle of the California's fiscal crisis, the district is concerned that past practices may have caused an imminent threat to the fiscal integrity of the district resulting in fraud, misappropriation of funds, or other illegal fiscal practices.

**Credit Card Usage:** FCMAT reviewed expenditures for each cardholder and concluded that the bulk of the expenditures without any supporting documentation were made by the chancellor, both college presidents, vice presidents and the Applied Science Department at San Jose City College.

A review of purchase cards indicates that \$708,411.54 was spent from July 1, 2007 through February 19, 2010. FCMAT prepared an itemized accounting of the purchases with supporting documentation and/or itemized receipts, and those with no receipts or itemized supporting documentation between July 2007 and February 2010 based on the monthly statements issued by US Bank, the accompanying support documentation, and monthly expenditure reports. Only 82.7% of total purchases had appropriate backup supporting documentation or receipts, but 17.3%, or \$122,647.60 lacked appropriate itemized receipts or had no receipts at all.

Between the two campuses and the district office, the district has issued an extraordinarily high number of credit cards. While this does not violate any board policy, having this many credit cards increases risk, which should be carefully managed. Cardholders clearly are not following the policy requiring itemized receipts for purchases, and some purchases raise questions regarding reasonableness and/or appropriateness.

**Transfer of District Funds to the Foundation:** In May 2007, the district established the Chancellor's Bookstore Scholarship Fund by transferring \$70,000 from the district's bookstore account to the foundation. Since that time, another \$290,000 has been transferred. The district did not have a board policy that allowed for transfers from the district accounts to the nonprofit foundation until the Meyers Nave investigation started in January 2009. By the time the policy was formally adopted by the governing board, a total of \$320,000 had been transferred. Ultimately, \$360,000 of district bookstore funds has been transferred to the foundation's Chancellor's Bookstore Scholarship Fund account.

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FCMAT reviewed expenditures for each cardholder and concluded that the bulk of the expenditures without any supporting documentation were made by the chancellor, both college presidents, vice presidents and the Applied Science Department at San Jose City College.

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Regular external audits are a strong deterrent to mismanagement and fraud, but they cannot serve as the only method of ensuring accountability. It is imperative that the district review the supporting documentation and allegations disclosed in both the Meyers Nave and this report so that additional documentation can be developed to hold the responsible parties accountable, improve the morale of district personnel, and remove any misconceptions the community may have regarding San Jose-Evergreen Community College District.

Illegal acts, misappropriation of funds or fraud can include an array of irregularities characterized by intentional deception and misrepresentation of material facts. The principal mechanism for deterring fraud or illegal practices in an organization is strong system of internal controls. Although internal controls cover an array of procedures and guidelines ultimately designed to safeguard assets, the underlying tone of management is an essential component in fraud deterrence. Competent management exhibiting high ethical values sets the example for employees to follow. It is evident from FCMAT's fieldwork that senior management officials have spent district funds lavishly and have not always adhered to employment contracts or district policies in the process.

Many employees expressed discontent and frustration regarding how district officials have spent limited funds on what most consider being extravagant trips abroad, an excessive number of conferences and luxury hotels in the bay area. In one instance, the chancellor stayed in the San Francisco Hilton only 11 minutes from her home according to the Meyers Nave investigative report. Even if the expenditures are "business related," best practice would indicate that management use better judgment when expending limited funds to items that are reasonable and necessary. Some examples include: Starbucks gift cards, payment of cell phone bills, holiday cards, holiday "goodie" bags, farewell gifts, spa treatments (personal expense that was subsequently reimbursed by personal check) and meals, party supplies, staff snacks and police car detail.

## **Audit Findings and Classifications**

Fraud can encompass an array of irregularities and illegal acts characterized by intentional deception and misrepresentation of material facts. The principal mechanism for the deterrence of fraud or illegal practices is strong internal controls. Internal controls include the processes designed to provide reasonable assurance that district operations are effective and efficient; the financial information produced is reliable and the district complies with all applicable laws and regulations. The internal control structure includes the policies and procedures utilized by the district staff, accounting and information systems, the work environment, and the professionalism of employees while conducting district business.

A material weakness is a deficiency in the internal control process that may lead to errors or fraud that employees in the normal course of business may not detect in a timely period. A material weakness also can be defined as a violation of existing laws or regulations. The following is a partial list of ineffective internal controls that may cause a material weakness:

- A failure to separate functional responsibilities of authorization
- Unrestricted access to assets or sensitive data (e.g. cash, fixed assets, personnel records)
- A failure to record transactions, resulting in lack of accountability
- A failure to reconcile assets with the appropriate records
- Unauthorized transactions
- Not having qualified personnel to implement the controls
- Collusion among employees where little or no supervision exists

While all district employees have some degree of responsibility for internal controls, the board of trustees, chancellor and senior management are ultimately responsible. This audit provides findings and recommendations regarding specific complaints and allegations in conjunction with the testing of supporting documentation.

### **Audit Fieldwork**

Investigating allegations of fraud requires a number of steps that include interviewing potential witnesses and assembling evidence from internal and external sources. FCMAT visited the district in March and April 2010 to conduct interviews, collect data and review documents. Specifically, FCMAT reviewed, analyzed and tested business records including the following:

- Budget development, monitoring process and presentation documentation
- Cash flow, cash handling procedures, and management of funds
  - Allowance for Uncollectible Student Receivables for Tuition Reimbursement
- Policies and procedures
- Payroll and position control
  - Segregation of duties
- Purchasing and competitive bidding procedures
  - General purchasing
  - Construction/modernization
- Site business services supervisors and site-level operations

- Credit card usage
- SJECCD Foundation funds
  - Transfer of district funds to the foundation
  - Travel collections and disbursements

The team also reviewed internal documents secured from various departments and from independent sources including the San Jose/Evergreen Community College District Foundation, a non-profit benefits corporation. The review also included interviews with the acting chancellor, management personnel, the foundation director, the business office staff and other district employees.



# Internal Controls, Policies and Procedures

## Internal Controls

Internal controls are the principal mechanism for preventing and/or deterring fraud or illegal acts. Illegal acts, misappropriation of assets or other fraudulent activities can include an assortment of irregularities characterized by intentional deception and misrepresentation of material facts. Effective internal control processes provide reasonable assurance that a district's operations are effective and efficient, that the financial information produced is reliable, and that the district operates in compliance with all applicable laws and regulations. The internal control elements provide the framework for an effective fraud prevention program. An effective internal control structure includes the policies and procedures used by the district staff, adequate financial and information systems, the work environment, and the professionalism of employees.

Although internal controls cover an array of procedures and guidelines ultimately designed to safeguard assets, the underlying tone of management is also an important in fraud deterrence. Competent management exhibiting high ethical values sets the example for employees to follow.

## Policies and Procedures

Policies and procedures give the staff guidance and structure in processing transactions. Board policy establishes the framework and provides legal references. The accompanying administrative regulations detail processes to maintain compliance with the board policy. Other staff resources include desk manuals and other reference materials.

FCMAT reviewed the following specific business and fiscal affairs board policies and administrative regulations to test district's compliance:

- BP 6100/ - Delegation of Authority, Education Code 70902(d); 81655 and 81656
  - AR 6100.1 - Fraud Policy
- BP 6300– Fiscal Management, Education Code 84040(c); Title 5 Section 58311
  - AR 6300.2 - Special Event
  - AR 6300.4 – Travel Expense Claims
  - AR 6330.1 – Conflict of Interest
- BP 6900 – Bookstores, Education Code 81676.5
  - AR 6900 - Bookstore

The district does not have a board policy or administrative regulation on the use of credit cards. Instead, the district has developed an internal handbook for guidance in this area.

## Budget and Financial Analysis

The team reviewed several areas of the business and fiscal services division to evaluate budget development, budget projections, variance analysis, cash flow, payroll, position control, purchasing, competitive bidding practices, facilities and construction. The team performed various audit test procedures to review district credit-card usage as well as records from a selection of international trips that were taken by the staff, faculty, students and chaperones that were coordinated through the foundation.

The following audit test procedures were performed for credit card purchases from July 1, 2007 through February 2010:

- Test compliance with the district Bank Credit Card Procedures Handbook including the following:
  - Limitations and restrictions on use
  - Monthly reports
  - Itemized receipts
  - Manager and administrator responsibilities

The following procedures and testing were performed related to foundation expenditures:

- An analysis of support documentation to verify traveler, donor, foundation and/or district payments, including the following:
  - A review of payment transactions in the foundation general ledger
  - Verification of disbursements for travel related expenditures made by the foundation in behalf of travelers
  - Reconciliation of revenue sources with disbursement activity

The following findings and recommendations are the result of performing audit test procedures and reviewing a sample of the district's transactions.

# Findings and Recommendations

## Audit Findings/Internal Controls/Segregation of Duties

Each audit finding is classified as a material weakness, a reportable condition or an area for management improvement. These classifications provide management with guidance in developing and strengthening existing internal controls. Strong internal controls and periodic monitoring of those controls greatly reduce the possibility of a material misstatement of the financial statements and/or a violation of existing laws or regulations. Each classification is described as follows:

Material Weakness - A material weakness is a significant deficiency, or combination of significant deficiencies, in internal controls that results in more than a remote likelihood of a material misstatement of the financial statements that will not be prevented or detected by the district's internal control system or by employees during the normal course of business. A material weakness may also be a violation of current laws or regulations. It is the most serious type of finding.

Reportable Condition - Control deficiencies exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A reportable condition is a significant deficiency in a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to record, process, summarize and report financial data reliably in accordance with generally accepted accounting principles. This deficiency results in more than a remote likelihood that a misstatement of the district's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control.

Management Improvement - A management improvement is not a material weakness or reportable condition, but suggests improvements to the district's operations to conform to industry best practices.

A fundamental element of internal control is the segregation of certain key duties. Adequate segregation of duties reduces the likelihood that errors will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent review of the work.

The principle underlying segregation of duties is that no employee or group should be in a position to commit and conceal errors or fraud in the normal course of duties. In general, the principle of segregation of duties entails separating the custody of assets, authorizing or approving related transactions affecting those assets, recording or reporting related transactions, and executing the transaction activity. If any of these functions are combined in one employee, the possibility of theft increases.

Payroll schemes provide a dishonest employee with the ability to manipulate the district's payroll functions, which can lead to creating a "ghost" employee, altering the pay rates, or falsifying time cards to pay for services that the district never received. A ghost employee refers to someone that is on the payroll, but does not work for the district.

The following are examples of methods used in various payroll schemes designed so that the district pays for individuals that do not work for the district, or for time not earned by current employees.

- Adding ghost employees to the payroll.

Outcome: The employee enters a fictitious person (or a real person who does not work for the district) to the payroll and issues a payroll warrant to the ghost employee.

- Altering pay classification or placement.

Outcome: The employee changes the step and/or range of an existing employee, increasing the payment.

- Altering time-keeping records.

Outcome: The employee alters time sheets to include more hours than were actually worked for additional payment.

The district's most current audit report dated June 30, 2009 has only two findings, one that falls under the classification of internal control. The finding represents a significant deficiency in the segregation of duties between the Human Resources and Payroll departments. According to the audit report, both departments can modify information entered by either department. This finding creates an opportunity for the individual(s) in one department to override the internal control structure designed to separate significant processes related to adding new employees to the system, establishing pay rates and maintaining proper classification.

Based on information obtained in interviews and observations by FCMAT, the district's Fiscal Affairs office does not have a significant lack of segregation of duties or fiscal oversight. However, the district should ensure that Payroll Department employees cannot add ghost employees to the payroll or alter time-keeping records that have been approved by managers.

The auditor recommended that the district review system access in each department and restrict access to individuals that need these rights. The district concurred with the finding but during interviews, managers in the Payroll and Accounting Department were unable to confirm that the recommendations had been implemented.

The district should periodically test and monitor various internal controls between Human Resources and Payroll. Specific tests would include verification between records in position control, payroll and budget. Because the district utilizes multiple operating systems for different accounting functions, it is also recommended that the district reconcile these systems monthly.

## Recommendations

*The district should:*

1. Implement the auditor's recommendation to ensure that proper segregation of duties exists between the Human Resources and Payroll departments, restricting access to various processes to the individuals in each department that need access.
2. Periodically monitor and test various internal controls in position control, payroll and budget to ensure accountability and integrity between departments
3. Reconcile multiple operating systems monthly to ensure proper integration of those financial systems.

## Credit Card Usage

The district participates in a credit card program with US Bank that provides VISA cards for designated employees and governing board members.

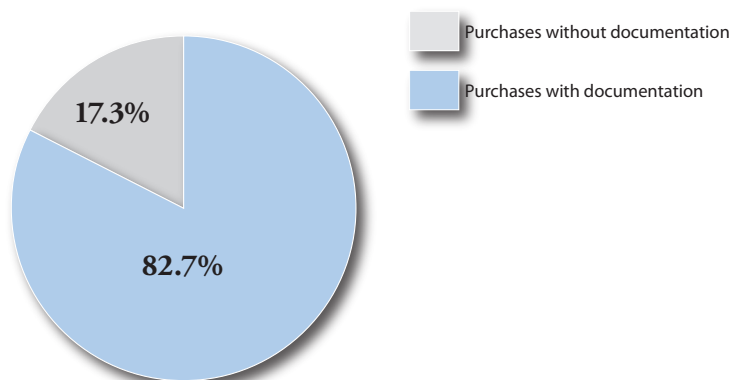
Using a credit card has distinct advantages for certain types of expenditures such as making hotel and travel accommodations, ordering publications and subscriptions and paying for dues and memberships. In addition to the convenience to cardholders, the district can consolidate and streamline paperwork.

Generally, the district can impose individual monthly purchase limitations and prohibit the purchase at the point of sale for certain types of expenditures such as liquor or tobacco products.

The district has 61 issued credit cards between the two campuses and the district office. Credit card expenditure limits are established by the Bank Credit Card Procedures Handbook (which is attached as Appendix A to this report) as follows:

- Classified Employees, Supervisors, and Managers - \$750.00 Single Purchase Limit, \$2,500 Monthly Credit Limit.
  - Exceptions:
    - EVC engineering instructor: \$2,000 single-purchase limit, \$6,000 monthly credit limit.
    - SJCC director of development for applied science: \$3,000 single-purchase limit, \$8,000 monthly credit limit.
    - SJCC construction technology instructor: \$750 single-purchase limit, \$4,000 monthly
- Chancellors and VC's office admin/VPs/directors/deans: \$1,250 single-purchase limit, \$5,000 monthly credit limit.
  - Exceptions:
    - Chancellor: \$3,000 single-purchase limit, \$10,000 monthly credit limit.
    - SJCC dean of PE and applied science: \$3,000 single-purchase limit, \$12,000 monthly credit limit.
    - ITSS admin: \$1,600 single-purchase limit, \$7,500 monthly credit limit.
- DO board/presidents: \$2,500 single-purchase limit, \$10,000 monthly credit limit.

A review of purchase cards indicates that \$708,411.54 was spent from July 1, 2007 through February 19, 2010. FCMAT prepared an itemized accounting of the purchases with supporting documentation and/or itemized receipts, and those with no receipts or itemized supporting documentation between July 2007 and February 2010 based on the monthly statements issued by US Bank, the accompanying support documentation, and monthly expenditure reports. As shown in the following pie chart, only 82.7% of total purchases had appropriate backup supporting documentation or receipts, but 17.3%, or \$122,647.60 lacked appropriated itemized receipts or had no receipts at all.



The following table is the result of that compilation.

**Compilation of Total Credit Card Expenditures**  
July 1, 2007 through February 19, 2010

Compilation of Total Purchases US Bank Purchase Card Statements and Percentage of Total Expenditures		
Purchases with supporting documentation and/or itemized receipts	\$585,763.94	82.7%
Purchases without supporting documentation and/or itemized receipts	\$122,647.60	17.3%
<b>Total</b>	<b>\$708,411.54</b>	<b>100%</b>

There were 4,298 total transactions during July 1, 2007 and February 19, 2010. The team compiled a list of each transaction based on credit card statements and internal district reports. Transactions that exceeded the lowest threshold of \$750 were further analyzed. The team found that 22 transactions exceeded this threshold *without* proper supporting documentation, and another 126 *with* proper supporting documentation (The details are available in Appendix B, which is attached to this report). The table below summarizes these transactions:

**Compilation of Total Credit Card Expenditures Exceeding \$750 Threshold**  
July 1, 2007 through February 19, 2010

Compilation of Purchases Exceeding \$750 Threshold July 1, 2007 – February 19, 2010			
	Number of Transactions Exceeding \$750	Dollar Amount Over \$750	Percentage of Total Expenditures
Transactions Over \$750 With Itemized Receipts	126	\$142,091.75	20.00%
Transactions Over \$750 Without Itemized Receipts	22	\$27,379.02	3.85%
<b>Total Transactions Exceeding \$750</b>	<b>148</b>	<b>\$169,470.77</b>	<b>23.85%</b>

According to the district's handbook:

The cardholder shall obtain original itemized receipts for all purchases. All receipts must be itemized and include the following information:

- Date of purchase
- Description of items purchased
- Quantity of items purchased
- Price per item purchased
- Amount of sales tax
- Shipping/handling charges, if applicable.

FCMAT reviewed expenditures for each cardholder and concluded that the bulk of the expenditures without any supporting documentation were made by the chancellor, both college presidents, vice presidents and the Applied Science Department at San Jose City College. (Appendix B, attached to this report, shows the complete listing.) District administration should set the standard for all cardholders by submitting detailed receipts that clearly itemize each purchase made with district funds.

Between the two campuses and the district office, the district has issued an extraordinarily high number of credit cards. While this does not violate any board policy, having this many credit cards increases risk, which should be carefully managed. Cardholders clearly are not following the policy requiring itemized receipts for purchases, and some purchases raise questions regarding reasonableness and/or appropriateness.

The district has effective policies requiring equipment purchases of more than \$750 to have a purchase order. This practice ensures that fixed asset regulations are followed for financial statement reporting.

The Meyers Nave report states that the board policy in place prior to January 2009 when the district updated the administrative procedure, allowed for reimbursement for business-related travel provided that the expenditures were supported by itemized receipts. However, the report does not mention that many of the chancellor's claims did not include itemized receipts. The following table is a compilation of credit card expenditures from July 1, 2007 through February 19, 2010 for purchases made by the chancellor without receipts or appropriate supporting documentation:

Compilation of the Chancellor's Credit Card Expenditures  
July 1, 2007 through November 2009.

Chancellor	No Receipts or No Itemization
Grand Total	\$ 14,065.22
Description of Purchase from District records:	Amount of Purchase:
Hotel for Achieving the Dream conference	\$ 1,712.05
Meals	\$ 931.98
(Purchases with no Description)	\$ 917.25
Hotel HACU Governance Board retreat	\$ 728.11
Hotel AACC conf	\$ 684.38
Hotel CCLC Annual Trustees conference	\$ 524.68
Hotel AACC	\$ 466.95
Hotel ACCT Biloxi, MS	\$ 433.16
Penalty charge for flight change	\$ 410.01
Membership in Admiral's Club	\$ 350.00
Membership dues	\$ 336.60
Office supplies for home	\$ 324.50
Hotel HACU conf	\$ 321.54
Flight fees changes to NYC	\$ 314.50
Hotel dep for HACU	\$ 309.37
Dining	\$ 284.37
Lunch at CCLC conference	\$ 246.46
Hotel stay in Long Beach	\$ 229.85
Printer for home office	\$ 227.28
Breakfast ATD focus group	\$ 209.30
Lunch ATD focus group	\$ 162.62
Hotel for Leadership/Policy conf	\$ 150.30
Dinner at HACU conference	\$ 141.88
Budget discussion meeting	\$ 141.36
Executive Team meal	\$ 140.19
Dinner with Franklin McKinley School Superintendent in Scotland	\$ 135.41
Dinner with EVC Vice President and staff	\$ 122.15
Flight for LACC site visit	\$ 119.20
Flight to LACC for site visit	\$ 119.20
Dinner at AACC conf	\$ 111.26
Dinner with team	\$ 109.59
Meeting CCSF Chancellor and Dean	\$ 107.25



## AUDIT FINDINGS/INTERNAL CONTROLS/SEGREGATION OF DUTIES

Car rental LACC site visit	\$	101.72
Meal ACCT Trustee, SJCC President	\$	97.80
Cab fare	\$	96.00
Car rental AACC	\$	89.33
Initiation fees for Foundation Director	\$	75.00
Toner for home printer	\$	74.97
Dinner with local superintendents	\$	73.87
Meal with team	\$	70.90
Cab from hotel to airport	\$	70.00
City College San Francisco meal	\$	67.31
Meeting on global educations	\$	66.01
Mail - materials from trip to DO	\$	64.55
Lunch at ACCT conf	\$	63.20
Cab from Dallas airport to hotel HACU	\$	63.00
Lunch w/ SJCC President	\$	59.31
Parking while at LACC site visit	\$	54.00
Board agenda review dinner	\$	53.16
Breakfast with Trustee	\$	52.90
Dinner for CCC CEO's conf	\$	51.92
Cab from hotel to airport HACU	\$	50.00
Parking Chicana/Latina Foundation dinner	\$	48.00
Mailing confidential items	\$	46.95
Meeting with Trustee	\$	45.07
Lunch w/staff	\$	44.82
Dinner to discuss budget issues	\$	44.77
Meal at ACCT conference	\$	41.84
Dinner while attending CCC CEO's conf	\$	38.47
Meals (2)	\$	36.52
Lunch with EVC Vice President	\$	34.50
Meal before flight to Long Beach	\$	34.20
Meals in Scotland	\$	31.74
New case for Blackberry	\$	31.49
Lunch with EVC President	\$	31.05
Lunch w VC HR candidate	\$	30.78
Lunch meeting	\$	30.53
Lunch Trustee	\$	28.54
Meal at AACC Achieving the Dream conference	\$	27.93
Lunch with Trustee	\$	27.88
Lunch with EVC President	\$	27.38
Meeting with Director of Role Model Program	\$	27.35

Meal at airport	\$	27.34
Lunch with Executive Director, Somos Mayfair	\$	27.23
Lunch	\$	24.76
Send mail from home to Chancellor's Office	\$	24.57
Education book	\$	23.95
Groceries while in Scotland	\$	23.89
Lunch meeting with EVC Vice President	\$	23.49
Parking while at ACCT	\$	21.00
Book	\$	20.97
Breakfast with Trustee	\$	20.88
Meal	\$	19.59
Lunch meeting with Dean & college president	\$	18.91
Meal at AACC	\$	17.28
Ticketing fee	\$	15.00
Lunch Assistant to Chancellor	\$	14.45
Meal at LACC site visit	\$	13.87
(Description not legible)	\$	12.49
Breakfast AACC	\$	12.36
Lunch at Achieving the Dream conf	\$	11.84
Parking	\$	10.75
Food for flight return from HACU	\$	9.30
Meeting with FA	\$	8.35
Starbucks	\$	7.82
Service fee	\$	7.00
Lunch at Achievement Dream	\$	5.12
Parking SF Foundation meeting	\$	5.00
Parking for meeting in downtown San Jose	\$	4.50
Luggage cart	\$	3.00
Airport carts	\$	3.00

Altogether, the list includes 101 transactions without either receipts or itemized receipts in direct violation of the chancellor's employment contract that allows reimbursement for "actual and necessary" expenses. In addition, the team found instances of expenditures for personal use that were subsequently reimbursed by the chancellor; however, the policy expressly states that the district credit card cannot be used for personal expenditures.

According to the Meyers Nave report, the chancellor's practice "was to provide her receipts from her conference travel, meetings and other business expenses" to be matched with the credit card statement. This was apparently not the practice as demonstrated by the table above. Many expenditures appear to be business-related, but raise questions as to the reasonableness and/or appropriateness of the expenditure. This demonstrates once again the need for senior administration to set the example for all employees and to follow district prescribed policies and procedures.

Even if the expenditures are "business related," best practice suggests that management use better judgment when expending limited funds to items that are reasonable and necessary. Some

examples from other credit card holders of expenditures include: Starbucks gift cards, payment of cell phone bills, holiday greeting cards, holiday “goodie” bags, farewell gifts, spa treatments (personal expense that was subsequently reimbursed by personal check) and meals, party supplies, staff snacks and police-car detail.

The college president and business services supervisor at each college site sign monthly expenditure reports approving general credit-card purchases as presented from individual cardholders. The report is then forwarded to the district’s fiscal affairs office for review and ultimate payment to the credit-card company. This policy provides a comprehensive approval method, but does not provide for the enforcement of the requirement regarding receipts as detailed in the district handbook and board policy.

## **Recommendations**

*The district should:*

1. Require all cardholders to submit original detailed credit card slips when requesting reimbursement to ensure that all items purchased are allowable purchases according to the district’s credit card guidelines.
2. Enforce the provisions of the district’s policy for violations, and hold administrators, faculty and staff accountable.
3. Consider conducting a periodic review of board policies and other district procedures to ensure they are accurate, pertinent and serve the needs of the district.



## SJECCD Foundation Funds

### District Foundation/Transfer of Funds

The SJECCD Foundation was established as a 501(c) (3), nonprofit benefit corporation. The foundation does not meet the criteria for inclusion as a component unit of the district and therefore is a separate entity for auditing purposes.

Founded in 1982, its mission is to supplement state funding through fund-raising activities for student scholarships. The foundation is governed by a seven-member board of directors. The daily operations are the responsibility of the foundation director.

In May 2007, the district established the Chancellor's Bookstore Scholarship Fund by transferring \$70,000 from the district's bookstore account to the foundation. Since that time, another \$290,000 has been transferred. The district did not have a board policy that allowed for transfers from the district accounts to the non-profit foundation until the Meyers Nave investigation started in January 2009. By the time the policy was formally adopted by the governing board, a total of \$320,000 had been transferred. Ultimately, \$360,000 of district bookstore funds has been transferred to the foundation's Chancellor's Bookstore Scholarship Fund account.

The board of trustees approved Administrative Procedure 6900 Bookstore on January 27, 2009. This policy provided that any excess reserves beyond the amounts needed for proper cash flow management following the closure of the books each year may be transferred to the Chancellor's Bookstore Scholarship Fund in the SJECCD Foundation. This endowment fund can be used to assist students and provide scholarships in accordance with criteria established by the chancellor. The chancellor has sole discretion over the expenditures of this fund.

A review of this fund shows that approximately \$261,000 has been spent to date leaving a balance in the account of \$108,575. The following table summarizes the transactions within this fund.

### SJECCD Foundation

#### Chancellor's Bookstore and Scholarship Fund

#### Activity from May 7, 2007 through April 20, 2010

Income and Expense	Type of Transaction	Amount
Transfers From SJECCD To Foundation	Income	\$360,000
Other Donations & Interest Earnings	Income	16,036
Associated Student Body Accounts	Expense	-80,000
Basic Opportunities	Expense	-62,275
Lending Library – Textbooks for Student Use	Expense	-76,994
Role Model Program	Expense	-5,500
General Office/Administrative	Expense	-13,640
Calculators for Students	Expense	-2,921
Scholarships to Students	Expense	-8,650
Focus Group/Catering/Workshops	Expense	-3,118
Chicano Latino Youth Leadership Project	Expense	-1,000
Meals Tickets for Students	Expense	-2,500

Table Sponsor	Expense	-500
Foundation Credit Card	Expense	-363
Articulate Support/Outreach Grant	Expense	-10,000
Balance as of April 20, 2010	Fund Balance	\$108,575

The mission of the foundation was to provide student scholarships, but based on the expenditure detail, only 3.3% of total expenditures have been spent towards this stated goal. FCMAT requested a copy of the board resolution to support the district transfers prior to the adoption of the board policy. However, the district could not provide verification that the governing board had formally authorized these transfers.

### Travel Collections and Disbursements

Arrangements are periodically made for international travel by the student, faculty, administrators, trustees and community members for the primary purpose of communicating the mission of the college. The tracking of receipts and disbursements for travel arrangements are made through the foundation. During fieldwork, questions about the use of district funds to support these travel arrangements were brought to FCMAT's attention. The team prepared an in-depth analysis of the Vietnam Global Studies trip during January 2007, and reviewed two other trips to verify trip receipts and expenditures.

Travelers are required to make payments directly to the foundation to support the cost of travel. Some of the cost is supplemented by private donations, Associated Student Body funds, college president's funds and grants to assist students. In some cases, an amount is transferred from the district's fund balance and/or the foundation's fund balance to offset any balances due for traveler shortfalls or other miscellaneous expenses associated with the travel arrangements.

The detailed analysis of the Vietnam Global Studies trip included the following:

- Travelers:
  - 24 students
  - 13 faculty
  - 3 administrators/trustees, and
  - 7 community members

### Vietnam Global Studies

#### International Travel January 2007

#### Trip Analysis

Total Trip Costs	\$112,278
Sources of Income:	
Donations	\$7,500
ASB Donations	\$22,000
President's Fund	\$6,854
District Funds	\$10,951
Grant	\$3,000
Unused Balance in Foundation Donations	\$4,945
Travelers Payments	\$57,028

The team requested board minutes to support district expenditures, but the staff was unable to verify that district funds totaling \$10,951 were authorized by the governing board. The connection between the international travel and what value it may bring to the college is unclear.

These examples are not intended to represent a comprehensive list of deficiencies, but are observations made by FCMAT during fieldwork.

### Recommendations

*The district should:*

1. Ensure a district board policy is adopted before the transfer of district funds. A board resolution should be prepared anytime district funds are transferred from the district to the foundation.





## Budget Development/Monitoring and Financial Analysis

The California Code of Regulations (CCR) Title 5, section 58311 governs principles for sound financial management for community colleges. These principles serve as the foundation for responsible and effective governance of the district's resources. A prerequisite to sound fiscal management is creating budget development practices, policies and procedures that will provide the governing board timely, accurate and reliable information on the fiscal condition of the district as an integral part of the decision making process. This requires adequate management information systems, proper internal controls, knowledgeable accounting staff, and finally, a process to evaluate significant changes that may have a budgetary impact on operations.

The team reviewed documentation related to budget development; budget assumptions, projections and variance analysis, cash flow projection and analysis of cash requirements; and audited financial statements. These documents accurately reflected the districts' current financial position. The district staff uses these reports and documents to determine its current and anticipated financial position, upcoming budget impacts, and projections for cash management. The financial staff clearly communicates financial information to the governing board and campus constituents and has a firm grasp of how to manage district finances in accordance with established federal and state guidelines. The following is a partial list of reports and other documents viewed by the team:

- The annual financial audit as of June 30, 2009
- The general obligation bond performance report as of June 30, 2009
- The OPEB financial report as of June 30, 2009
- Adopted budget reports in summary and detail for 2009-10
- The budget PowerPoint presentation – 2008-09
- Quarterly reports for 2009-10
- Board policies
- The district's internal handbooks and accounting manual
- The purchasing procedure and handbook

Adopted Budget 2009-10: CCR, Title 5, Section 58305 requires all community colleges to adopt a tentative budget in June of each year and a final budget by September 15. The budget process should integrate the district's strategic plans and goals. Ultimately, the budget becomes both a policy and a fiscal document. The budget process itself is dynamic, taking several months to develop and articulate into a tentative budget. The process involves participation by the board, business office, department heads, and directors of special programs, faculty and staff.

The tentative budget was submitted timely for approval to the board of trustees and included a wide variety of pertinent information such as detailed revenues and expenditures for all funds, and data on the 2008-2009 actual financial results. Providing the actual prior year data with current year budget allows readers to see trends from one year to the next and determine whether current-year budget projections appear appropriate and reasonable. The budget documents showed budget projections by cost center and major object code, along with historical data, so that reasonable accuracy determinations could be made.

Budget Presentation PowerPoint -2008-09: This presentation was used to present budget assumptions that reflected state budget cuts and future projections. The document gave a clear picture of the district's financial situation and the impact of current economic indicators. The presentation contained information on the historical trends in ending balance, historical and projected data on annual payments for retiree health benefits, and a chart showing how the Bay Area Consumer Price Index (CPI) compares with state cost-of-living adjustment (COLA) figures. Presenting major cost changes and the future impact of the state budget adjustments is an excellent way to provide information to all constituents for decision-making.

Quarterly Reports: The team reviewed the 311Q, first quarterly report for 2009-10. This document is excellent in providing data on the district's financial performance. Year-to-date revenues and expenditures are tracked, and include percentages spent (or earned), variance of actuals versus the working budget as well as an estimated projection for 2010-11. The accompanying narrative details trends and other significant areas of concern. These reports provide relevant and timely data regarding the district's financial position throughout the year and function as a basis for decision-making.

Cash Flow Report: The business office regularly prepares a cash-flow report on the general fund and the Measure G general obligation bonds. These reports help the district staff monitor the cash-flow requirements and managing of these funds. One example is The Measure G General Obligation Bond Available Cash Balance Report of December 31, 2009. This report shows current bond proceeds, investment income, expenditures, encumbrances and available balance. The document can be used to plan and pace construction or modernize projects time lines in accordance with cash availability.

Allowance For Uncollectible Student Receivables for Tuition Reimbursement: In a letter from the district's auditor, Vavrinek, Trine, Day & Company, LLP, the team became aware of a potentially uncollected student receivable. A review of the account showed that the allowance had not changed significantly from the past two fiscal years.

In accordance with generally accepted accounting principle (GAAP) that govern financial statement reporting, the district should make a determination on whether this account balance will be collected. The district auditor recommended that the "district review its method of estimating the potential allowance for uncollectible amounts" and update the balances each fiscal year during the closing process.

The chart below summarizes the balances in the student accounts receivable and uncollectible accounts for the last two fiscal years and the estimated amount for the current year.

### Student Accounts Receivable for Tuition Reimbursement

#### Analysis of Uncollectible Amount

Account	Balance as of June 30, 2008	Balance as of June 30, 2009	Estimated Balance as of June 30, 2010
Student Receivable for Tuition Reimbursement	\$2,611,519	\$4,096,325	\$3,928,797
Uncollectible Student A/R	\$947,061	\$947,061	\$947,061

When district staff has made reasonable efforts to collect this balance due and it becomes apparent that the collection will not be successful, the district should prepare an estimate to reduce the outstanding receivable balance to avoid overstating assets. The net realizable value (NVR) of accounts receivable is the difference between the amount in accounts receivable and the amount in the allowance account.

### **Policies and Procedures**

The business office provides a policies and procedures manual to each accounting, purchasing and payroll employee, but several of the manual's policies need to be updated. It is important to have policy and procedure manuals and guidelines for employees, but district management should ensure that all employees adhere to these policies and procedures. The district should also consider conducting a periodic review of policies and procedures to ensure they are accurate, pertinent and serve the needs of the district.

As an example, a high number of credit-card transactions lack receipts or have receipts that are not itemized. The Bank Credit Card Procedures Handbook outlines the responsibility of all district credit cardholders and the related responsibilities of accounts payable personnel and site business services supervisors. The district clearly has not enforced the provisions on disciplinary action for noncompliance.

Before FCMAT's fieldwork, a proposal to reorganize the district's administrative services functions was submitted to the board of trustees. During interviews, many employees expressed concern about this proposal. Several indicated they were not consulted regarding how the duties of eliminated positions would be redistributed. The lack of a detailed plan on document flow and the related internal controls may hinder separation of duties and segregation between site and district-level business office functions. Managers from the two college sites and in some district operational departments were not consulted on how the reorganization would maintain the integrity of the current internal control structure.

### **Recommendations**

*The district should:*

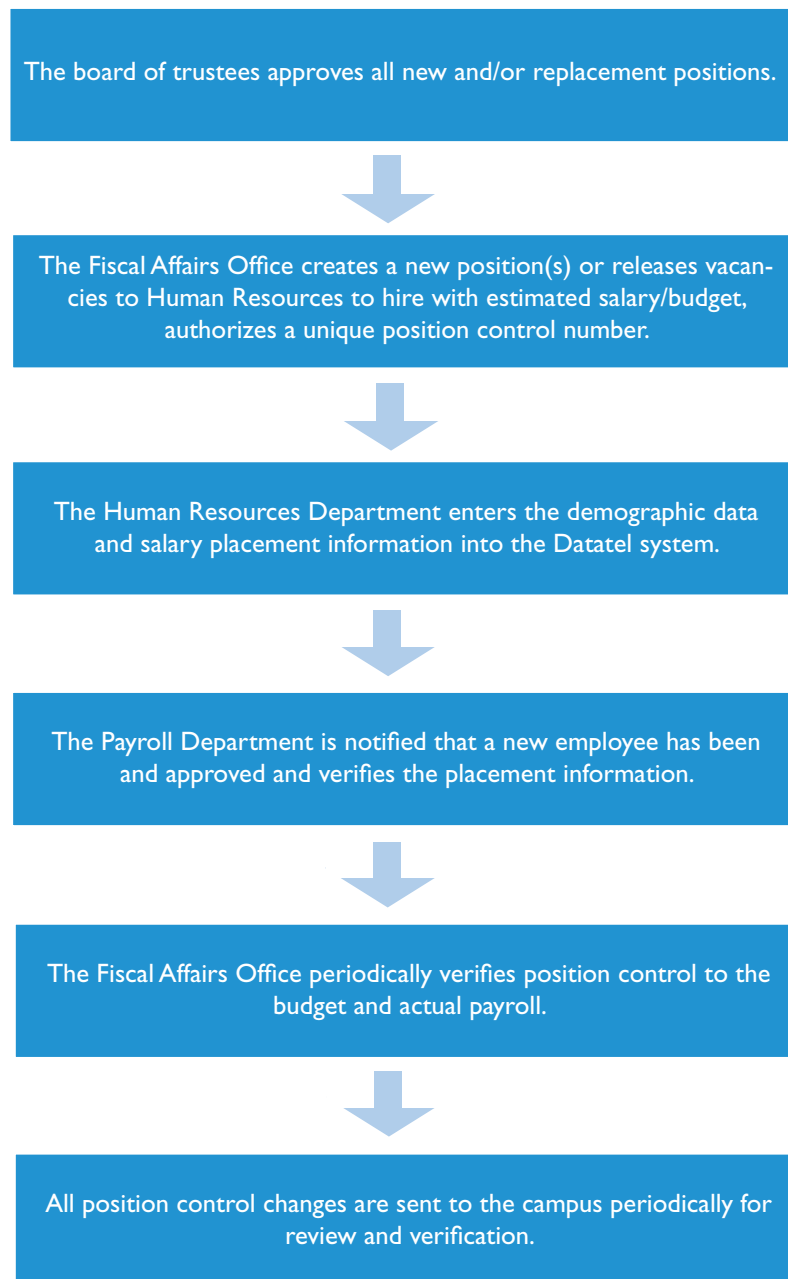
1. Make a determination of the estimated allowance for uncollectible amounts and update the balances each fiscal year during the closing process.
2. Prepare a detailed plan to address document flow and the related internal controls to maintain the current internal control structure if the district decides to implement a reorganization plan.

### **Payroll/Position Control**

The interim payroll supervisor also serves as budget analyst. The analyst's responsibilities include verifying that information received from the site business services supervisors has the correct budget account code in accordance with the state budget and accounting manual, and ensuring there are sufficient funds for the purchase. Other duties include performing analytical procedures and reviewing position control records.

The district uses position control to prepare the annual budget and update the budget throughout the fiscal year. For position control to be effective, the staff should incorporate all board-authorized positions and continually update the system as actual positions are filled, added or eliminated. In addition, the position control system should be integrated with other financial modules such as budget and payroll. Strong internal controls should exist between the functions of authorizing positions, entering positions into the Datatel system, assigning employees to authorized positions and paying employees.

For effective separation of duties, it is important to segregate functions between the Human Resources and Payroll departments. The following chart demonstrates the appropriate sequence for effective internal controls in this area:



As previously mentioned, the district's recent audit finding cited a significant deficiency (material weakness) in internal controls between the Human Resources and Payroll departments because of the lack of separation of duties. The interim payroll supervisor does not believe payroll personnel can add new employees or make changes in salary or placement for existing employees in the Datatel system. FCMAT could not verify that this audit recommendation was implemented. The district should ensure that the recommendation is fully implemented.

The district provides each Payroll Department employee with training and a policies and procedures manual. Employee orientations are held for classified staff, supervisors and managers on proper processing of payroll data. Additional training sessions occur periodically. The payroll procedures manual serves as a reference tool and has step-by-step instructions for typical payroll processes.

According to the interim payroll supervisor, the Accounting Department performs reconciliations of payroll taxes. Performing this function outside the Payroll Department helps maintain internal control and could help identify any error.

### **Purchasing/Competitive Bidding**

The Purchasing Department's primary purpose is to obtain goods and services for both campuses using a fair process that obtains the best pricing and availability. In addition to general purchasing, the Purchasing Department orders all furniture and equipment for new buildings, purchases copy machines and handles maintenance contracts. The district centralized the purchasing function for goods and services.

The Datatel system is hard-coded, forcing all online requisitions to be routed to the appropriate signers, then directly to the Purchasing Department for processing if funds are sufficient to support the purchase. District personnel indicated that a small percentage of employees tries to circumvent the purchasing process by ordering directly from vendors without a purchase order. Procedures have been implemented to curtail that practice. A spreadsheet is maintained indicating instances where this practice occurred along with the vendor and employee that ordered the goods or services. The employee and the vendor are notified concerning the proper purchasing regulations. The district also sends a letter to all vendors of record each year stating that all purchases of more than \$750 must be authorized by the Purchasing Department and delivered to the district warehouse with the purchase order number denoted on the packing slip. This is an effective way to manage purchasing and help prevent circumvention of the district policy.

Competitive bidding for new construction and modernization is handled by an outside consultant and governed by Board Policy 6340. FCMAT reviewed a sample of advertisements in a local newspaper and on the district's website, and these indicated that proper procedures were used in accordance with the Public Contract Code. Contractor's licenses are checked when required per bid documents.

Facilities personnel indicated that the change order process was modified within the last three years. The new process requires a campus president's signature before processing can occur through the Facilities Department. Once the signature is obtained, facilities personnel and the architect of record review change orders for accuracy. Change orders that exceed \$5,000 require board approval.

To increase the number of bidders on construction projects, the district alerts the local construction trade associations of upcoming bidding opportunities. The district uses a project labor agreement for construction projects. This is a prehire collective bargaining agreement that establishes

the terms and conditions of employment for a specific construction project and requires all project contractors and subcontractors to subject their employees to union rules.

The Purchasing Department has a policy and procedures manuals for each employee. These policies are comprehensive and provide guidance in all areas of purchasing including appropriate credit card use, blanket purchase order use, independent contractor agreements and formal bid procedures.

## Site Business Services Supervisors and Site-Level Operations

Business services supervisors from both campuses were interviewed regarding policies, procedures, internal controls and the handling of cash/financial functions at the site and district levels. The supervisors' responsibilities include supervising associated student funds, scholarships, facilities rental income, disbursements of checks including petty cash and financial aid checks, approval of purchase requisitions and budget transfers. These supervisors also manage the individual department budgets on each campus, monitor the appropriateness of expenditures and provide the college presidents with various budget reports.

Cash Handling Procedures at College Campuses: Each campus has a locked safe to hold cash until an outside service can transport it to the bank. An associated student body clerk and another clerk take the bagged cash, which was previously counted, to the Admissions and Records office to be placed in the locked safe. The business services supervisor and two clerks have the combination to the safe. In addition, each clerk has a locked drawer to hold daily cash collections. The safe is in a separate location that is away from the front counter, providing an extra level of security for cash.

One business services supervisor described how “surprise” cash counts are conducted at least once each semester to ensure the accuracy of the cash in the drawer at any given time. Performing periodic internal audits reviews is an excellent method for fraud prevention. Each campus performs internal inventory audits for other departments, such as cosmetology, each semester to ensure that supplies are properly accounted for.

The team reviewed support documentation for event ticket sales. The records detail the number of tickets sold for each event, the unit price of those tickets and the total collections. Collections are reconciled to the number of tickets sold. This report is signed by two people, indicating that there are sound internal controls for this process.

A new reorganization plan is under consideration but has not been finalized. The current plan includes a proposal that will eliminate both site-level positions and create one position at the district office.

If these positions are eliminated as proposed, the district should prepare a careful analysis of the internal control structure between both sites and the district office. Oversight functions regarding the collection of student funds, disbursement of financial aid checks and budget monitoring will need to be addressed to maintain strong internal controls.





## Conclusion

Every organization faces a variety of internal and external risks that must be identified, assessed and managed. While all employees in the organization bear some responsibility for internal controls, the governing board, upper management are ultimately responsible. These leaders should demonstrate a commitment to establishing an effective internal-control system and proper monitoring techniques to ensure compliance. Regular external audits are a strong deterrent to mismanagement and fraud, but they cannot serve as the only method of ensuring accountability. It is imperative for the district and governing board to review the findings and recommendations developed during this review to implement necessary controls and hold the responsible parties accountable.

FCMAT did not find significant material weaknesses in the district's internal control systems related to segregation of duties; however, the district needs effective management oversight to enforce district policies and procedures that govern the internal control environment particularly in the use of credit cards and board authorization to support the transfer district funds to the nonprofit foundation.

There are areas where the internal control systems could be strengthened to reduce the probability of fraud and/or abuse in the future. The most recent audit report dated June 30, 2009 includes a finding related to lack of segregation of duties between Human Resource and Payroll, citing inadequate internal controls in this area of operations. This finding should be of concern to the district, and immediate intervention is necessary to limit the risk of fraud, misappropriation of assets and illegal acts.

The district should review its credit card policy and related procedures and ensure that all cardholders are held accountable in accordance with the district's internal policy. All expenditures should be supported by detailed receipts and processed through the business office in a timely manner.

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**FCMAT did not find significant material weaknesses in the district's internal control systems related to segregation of duties; however, the district needs effective management oversight to enforce district policies and procedures that govern the internal control environment particularly in the use of credit cards and board authorization to support the transfer district funds to the nonprofit foundation.**

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## Appendices

- A. District's Credit Card Procedures Handbook
- B. Transactions Exceeding \$750 – Not Itemized or Lacking Receipts
- C. Study Agreement



## Appendix A - District's Credit Card Procedures Handbook

San Jose/Evergreen Community College District

# **BANK CREDIT CARD PROCEDURES HANDBOOK**

District Purchasing

Revised January 31, 2008

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## INTRODUCTION

A new option for purchases of materials/services! (No Independent Contractors)

The Cal-Card is a new way for you to purchase what you need, when you need it. With the ease of a widely-accepted VISA bank card, you may make walk-in purchases, place telephone orders, hotel accommodations, etc. – NO EQUIPMENT OVER \$750.00.

The State of California Department of General Services entered into a Master Services Agreement with IMPAC Government Services for VISA card services. The program allows the use of the VISA card for making small dollar purchases of materials and services.

Using the cards will save time and money for the District, largely through consolidating and streamlining paperwork. Cardholders, in particular, will find the cards convenient for small dollar purchase of materials and services:

- . Making walk-in purchases
- . Placing telephone orders
- . Placing orders for publications, subscriptions, dues/memberships, etc.
- . Confirming hotel travel accommodations

Procedures have been established to provide an easy-to-use process for District cardholders.

## GENERAL INFORMATION

In order to expedite the purchase and accounting of materials and services, the District established a bank credit card program via the State Cal-Card Program.

The request for a bank credit card shall be initiated by the Area Administrator/Manager following the Bank Credit Card Procedures Handbook process.

The cardholder shall adhere to limits and restrictions that have been specifically assigned to each bankcard.

Purchases shall be:

1. Limited to materials and services – NO EQUIPMENT OVER \$750.00 WITHOUT PRIOR WRITTEN APPROVAL FROM DISTRICT COORDINATOR! Each bank credit card will be assigned a per transaction and a per monthly dollar volume limit. NO INDEPENDENT CONTRACTORS.
2. For materials and services that are low in cost and required infrequently. (Materials and services required on a frequent or regular basis shall be processed through the established Purchasing System via the Blanket Purchase Order option.
3. In compliance with the San Jose/Evergreen Community Purchasing policies and procedures.

The District may issue a bank credit card if the District feels there will be sufficient benefit to the District to do so.

**\* \* \*NO PERSONAL PURCHASES AUTHORIZED \* \* \***



## CARDHOLDERS RESPONSIBILITIES

1. The requestor shall read, complete and sign the Bank Credit Card Application and the Bank Credit Card Agreement; then forward to the Area Administrator/Manager for signature.
2. After signature, the Area Administrator/Manager shall forward the application to the Site Business Officer for signature and then he/she will forward it to the District Program Coordinator.
3. The District Program Coordinator will process the application and upon receipt of the credit card shall contact the Cardholder.

**THE DISTRICT PROGRAM COORDINATOR WILL WRITE “SEE I.D.” ON THE BACK OF ALL DISTRICT CREDIT CARDS.**

4. The Cardholder may then activate the Bank Credit Card and start to make purchases.
5. The Cardholder shall obtain original itemized receipts for all purchases. All receipts must be itemized and include the following information:
  - g. Date of purchase
  - h. Description of items purchased
  - i. Quantity of items purchased
  - j. Price per item purchased
  - k. Amount of sales tax
  - l. Shipping/handling charges, if applicable.
6. Upon receipt of the Cardholder's Credit Card Statement, the cardholder shall fill out the Bank Credit Card Monthly Purchases Report. This report and the original itemized receipts are to be attached to the Statement. If there are any receipts from a conference, a copy of the approved Request for Conference Attendance form should be attached. This reconciled packet is to be forwarded to the Area Administrator/Manager within five (5) working days after receipt of Statement.

The Cardholder shall be responsible for any discrepancies with the bank statement. Responsibility includes resolving disputes with the vendor, explanation of the specific charge, etc. Disputes with the vendor that cannot be resolved between the cardholder and the vendor shall be forwarded to the District Program Coordinator.

The Cardholder shall note discrepancies on the Bank Credit Card Monthly Purchases Report.

7. The Cardholder is responsible for advising the District Accounts Payable Department of any “credits” due against Cardholder's bank statements as a result of any discrepancies.

8. If there are any disputes, the Cardholder shall fill-in “Cardholder Statement of Questioned Item form” FAX to the # at the bottom of the form, attach a copy to your monthly reconciled packet, and forward a copy directly to the District Program Coordinator.

### **AREA ADMINISTRATOR/MANAGER RESPONSIBILITIES**

1. The Area Administrator/Manager’s approval of the Bank Credit Card Application is required before it can be forwarded through the approval process to the Site Business Officer and then to the District Program Coordinator.
2. The Area Administrator/Manager will receive a department bank statement listing all department Cardholders monthly activities.
3. The Area Administrator/Manager is responsible for receiving and reviewing the Cardholder’s reconciled packet to ensure the purchases are appropriate and not prohibited and that proper documentation is included.
4. The Area Administrator/Manager shall forward signed Cardholders reconciled packet through the site approval process to the Site Business Officer within five (5) working days after receipt of the reconciled packet from the Cardholder.

### **SITE BUSINESS OFFICER RESPONSIBILITIES**

1. The Site Business Officer is responsible for reviewing documentation to verify correct assignment of appropriate budget accounts and shall forward the approved reconciled packet to the District Accounts Payable Coordinator within five (5) working days after receipt of the approved packet from the Area Administrator/Manager.

### **DISTRICT ACCOUNTS PAYABLE COORDINATOR RESPONSIBILITIES**

1. The District Accounts Payable Coordinator is responsible for processing the payment against the reconciled packet received within fifteen (15) working days after receipt of approved reconciled packet.
2. The District Accounts Payable Coordinator shall reconcile statements involving disputes to apply appropriate credits against appropriate accounts.

3. The District Accounts Payable Coordinator shall be responsible for maintaining appropriate bank credit card documentation for annual audit financial reports.

### **DISTRICT PROGRAM COORDINATOR RESPONSIBILITIES**

1. The District Program Coordinator shall be the liaison between the State Department of General Services Cal-Card Program division and the San Jose/Evergreen Community College District. The District Purchasing Supervisor is designated the District Program Coordinator.
2. The District Program Coordinator shall be responsible for reviewing and approving the Bank Credit Card Application forms.
3. The District Program Coordinator shall be responsible for ensuring bank credit cards are used appropriately for the purchase of materials and services in compliance with the San Jose/Evergreen Community College District Purchasing policies and procedures.
4. The District Program Coordinator shall be responsible for follow-up on unresolved disputes between the Cardholder and the Vendor.
5. The District Program Coordinator shall be responsible for revoking bank credit card usage from a Cardholder for inappropriate and/or abuse of the bank credit card.

### **PROHIBITED USES**

The bank credit card shall **NOT** be used to purchase any of the following items:

#### **PERSONAL OR UNAUTHORIZED PURPOSES!!!**

#### **EQUIPMENT OVER \$750.00**

Alcoholic beverages or any substance, material, or service which violates policy, law or regulation pertaining to the District.

Ammunitions

- \* Cash advances
- Car washes
- Consultants/speakers
- \* Court costs, fines, bail, bond payments
- Facilities remodel: carpeting, draperies, etc.
- \* Gambling or betting
- Medical drugs (narcotics)
- \* Political or religious organizations
- \* Purchase of telephone services
- \* Rental or lease of buildings

- Service agreements
- \* Securities/insurance
- \* Tax payments
- Telephone equipment/supplies
- Transit passes
- And any other types of purchase that are prohibited in accordance with district policies.

\* Prohibited by State CAL-Card Program.

The use of the bankcard shall **NOT** be used to circumvent:

- The splitting of purchases to eliminate the bidding process.
- The scheduling and budgeting of minor capital outlay projects.
- The scheduling and budgeting of special repairs.

### **DISCIPLINARY ACTION**

The bank credit card can and will be revoked for breaking the Bank Credit Card Agreement and/or not complying with the Cardholder's Responsibilities and is also subject to disciplinary action by the District.

### **REPORTING LOST BANK CREDIT CARDS**

If a bank credit card has been lost, stolen, or is in the possession of an unauthorized person, the cardholder shall notify the Credit Card Company and the District Program Coordinator **IMMEDIATELY!**

### **REPLACING BANK CREDIT CARDS**

If a bankcard needs to be replaced because it is worn out or defective, lost or stolen, please notify the District Program Coordinator.

# FORMS

# BANK CREDIT CARD APPLICATION

Request for a Cal-Card bank credit card for the following employee:		
Cardholder's Name / Title (Print/type name)		Date
Site / Department (Print/type department)		
Telephone Number		Extension
Area Administrator/Manager (Approval Signature) (Print/type name below)		Date
Site Business Officer		Date
Purpose		
***TO BE COMPLETED BY PROGRAM COORDINATOR ONLY***		
Single Purchase Limit		
Monthly Purchase Limit		
Merchant Code		
Program Coordinator (Approval Signature)		Date
Bank Credit Card Number		
Bank Credit Card Received (Signature)		Date

# BANK CREDIT CARD AGREEMENT

In order to expedite the purchase and accounting of materials/services the District may issue bank credit cards to employees whenever there is sufficient benefit to the District. A Bank Credit Card Application shall be approved by the Area Administrator/Manager, Site business Officer, and the District Program Coordinator or Vice Chancellor of Administrative Services.

1. Every Cardholder shall be a full-time permanent employee of the San Jose/ Evergreen Community College District and shall agree to all terms and conditions of this Bank Credit Card Agreement.
2. The Cardholder is personally responsible for guaranteeing that all charges are for appropriate District expenses, that purchases are within budget limits, and that the purchase does not violate any other law, regulation, or policy of the Board of Trustees. Neither the Bank nor the District assumes responsibility for non-District purchases. The Cardholder shall be personally liable to the District and to the Bank for any non-District inappropriate purchases.

The Cardholder shall be responsible for the settlement of any and all disputes on any purchases with a vendor. The Cardholder Statement of Questioned Item form should be filled out; Faxed to # at the bottom of the form, a copy should be attached to the monthly reconciled packet, and forward a copy directly to the District Program Coordinator.

3. The Cardholder shall adhere to limits and restrictions that have been specifically assigned to each bank credit card.
4. The Cardholder shall take reasonable precautions with the bank credit card. These include, but are not limited to the following:
  - . Keep the bank credit card in view after you give it to the clerk. Get it back promptly after they have imprinted it.
  - . Avoid signing a blank receipt. Draw a line through blank spaces above the total when you sign.
  - . Destroy all carbons and voided (when a mistake was made) receipts. If the clerk has to keep a voided receipt for the store's accounting system, be sure to get a copy.
  - . Immediately report in writing any questionable charges to the Credit Card Company and to the District Program Director.
  - . Never lend your bank credit card to anyone.
  - . Never leave your bank credit card, receipts, or carbons where anyone can pick them up.
  - . Never put a bank credit card number on a postcard or on the outside of an envelope.
  - . Never give your bank credit card number over the phone unless you are dealing with a company you are sure is legitimate.
  - . Whenever possible use those vendors identified by the Purchasing

Department.

5. The bank credit card may be revoked for the following reasons:
  - . The bank credit card is used for personal or unauthorized purposes.
  - . The bank credit card is used to purchase alcoholic beverages or any substance, material, or service which violates policy, law, or regulation pertaining to the District.
  - . The Cardholder allows the bank credit card to be used by or for another individual or department.
  - . The Cardholder splits a purchase to circumvent a purchase limit assigned to the bank credit card.
  - . The Cardholder uses another cardholder's bank credit card to circumvent a purchase limit assigned to either cardholder.
  - . The Cardholder accepts a personal gratuity from a vendor.
  - . The Cardholder uses the bank credit card to purchase gratuities and gifts.
  - . The Cardholder duplicates purchase on any other form of reimbursement.
  - . Reconciled Packet is not completed properly.
  - . Equipment purchases are made for over \$750.00 without prior approval from District Program Coordinator.
  - . Purchases made are not within budget limits.
  - . The Cardholder fails to provide the District Program Coordinator with information about any specific purchase.
  - . The Cardholder fails to provide documentation confirming that charges are approved within the five (5) days after receipt of statement.
  - . The Cardholder does not adhere to any of the bank credit card policy and procedures.
  - . The bank credit card is the property of the bank, and it may at any time revoke card privileges under the provisions of its policies and procedures.

Unauthorized use of the bank credit card is also subject to disciplinary action by the District.

6. Upon receipt of credit card statement the Cardholder shall fill out Bank Credit Card Monthly Purchase Report and attach to statement with original itemized receipts and forward to Area Administrator/Manager within five (5) working days after receipt of statement. All charges on the bank statement will be passed on to the designated cardholder's account, including any transaction or annual fees.

I, \_\_\_\_\_, have read the District's Bank Credit Card Procedures Handbook and agree to abide by it upon acceptance of a bank credit card issued to me.

\_\_\_\_\_  
Cardholder's Signature  
Revised 09/01/04

\_\_\_\_\_  
Date



# BANK CREDIT CARD MONTHLY PURCHASES REPORT

[illegible]

I certify that all purchases listed on this statement, unless noted, are true and correct and were made for official SJ/ECCD purposes. All materials and/or services have been received and payment is authorized. The Program Coordinator has been notified of unresolved disputes.

Cardholders Signature	Date	Area Admin/Manager Signature	Date	Site Business Officer Signature	Date

## 1- Credit Card Limits

- Standard limits are:
  - Classified Employees, Supervisors, and Managers - \$750.00 Single Purchase Limit, \$2,500.00 Monthly Credit Limit.
    - Exceptions
      - EVC Engineering Instructor - \$2,000.00 Single Purchase Limit, \$6,000.00 Monthly Credit Limit.
      - SJCC Director of Development for Applied Science - \$3,000.00 Single Purchase Limit, \$8,000.00 Monthly Credit Limit.
      - SJCC Construction Technology Instructor - \$750.00 Single Purchase Limit, \$4,000.00 Monthly
      -
  - Chancellors and VC's Office Admin/VP's/Directors/Deans - \$1,250.00 Single Purchase Limit, \$5,000.00 Monthly Credit Limit.
    - Exceptions
      - Chancellor - \$3,000.00 Single Purchase Limit, \$10,000.00 Monthly Credit Limit.
      - SJCC Dean of PE and Applied Science - \$3000.00 Single Purchase Limit, \$12,000.00 Monthly Credit Limit.
      - ITSS Admin - \$1,600.00 Single Purchase Limit, \$7,500.00 Monthly Credit Limit.
      -
  - DO Board/Presidents - \$2,500.00 Single Purchase Limit, \$10,000.00 Monthly Credit Limit?

## Appendix B – Transactions Exceeding \$750 – Not Itemized of Lacking Receipts

Fiscal Year	Title	Payee	Amount Not Itemized, or no receipts
0809	Chief of Police	Best Western Hotels	\$ 797.95
0910	ITSS	Teamviewer	\$ 838.00
0809	SJC President	Dolce Hayes Mansion	\$ 1,000.00
0708	SJCC President	DHL Global Forwarding	\$ 1,326.69
0708	SJC VPSS	American Assoc. Of commu	\$ 772.50
0708	SJC VPSS	American assoc. of Commu	\$ 772.50
0809	SJC VPSS	Quality Assurance Travel	\$ 803.25
0809	EVC President	SAS Radisson Glasgow	\$ 1,518.62
0708	ITSS Director	Effective Training Assoc.	\$ 825.00
0910	SJCC-Director of Economic Development	Renaissance Hotels	\$ 774.52
0809	Chancellor	Hilton Hotels	\$ 1,506.20
0708	SJCC Applied Science	San Jose City College	\$ 831.52
0809	SJCC Applied Science	Mercury News	\$ 896.78
0809	SJCC Applied Science	Vineyard Unlimited	\$ 902.56
0809	SJCC Applied Science	Pennysaver	\$ 1,039.26
0708	SJCC Applied Science	Orchard Supply Hardware	\$ 1,062.09
0809	SJCC Applied Science	Spie Intl Society Opt Eng	\$ 1,243.20
0809	SJCC Applied Science	Pennysaver	\$ 1,773.00
0708	SJCC Applied Science	AWL Prentice hall	\$ 1,792.73
0708	SJCC Applied Science	AWL Prentice Hall	\$ 1,792.73
0708	SJCC Applied Science	American Technical Publishers	\$ 2,269.52
0708	SJCC Applied Science	HHS Pennysaver Rcordva	\$ 2,840.40
		<b>Check Totals</b>	<b>\$27,379.02</b>
		Count	22



## Appendix C - Study Agreement

# FCMAT

FISCAL CRISIS & MANAGEMENT  
ASSISTANCE TEAM

CSIS California School Information Services

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### FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT *February 4, 2010*

The **FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT)**, hereinafter referred to as the FCMAT Team, and the Chancellor's Office on behalf of the California Community College Board of Governors hereinafter referred to as the (Chancellor's Office), mutually agree as follows:

#### 1. **BASIS OF AGREEMENT**

The Team provides a variety of services to school districts, county offices of education, charter schools, and community college districts upon request. The San Jose-Evergreen Community College District has requested that the FCMAT Team provide for the assignment of professionals to study specific aspects of the district's operations based on the provisions of Education Code section 84041. There is concern that past practices in the district have possibly caused an imminent threat to the fiscal integrity of the district as a result of fraud, misappropriation of funds, or other illegal fiscal practices. The Chancellor's Office agrees to have the Team provide investigative, review and auditing services pursuant to item 6870-107-0001 of the State Budget Act of 2007, Education Code section 84041 and applicable regulations adopted by the Board of Governors.

All requests from districts for the services of FCMAT shall first be directed to and approved by the Project Monitor in the Chancellor's Office. Then the Chancellor's Office Project Monitor and FCMAT's Project Director will review the request and mutually agree whether to conduct a particular investigation, review or audit and define the scope and cost.

Upon signature by the Project Monitor and the Project Director, the Project Authorization for the specific investigation, audit or review shall be deemed a part of this contract as though fully set forth herein.

These professionals may include staff of the Chancellor's Office, FCMAT Team, County Offices of Education, the California State Department of Education, school districts, charter schools, community colleges, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

## 2. SCOPE OF THE WORK

### A. Scope and Objectives of the Study

The scope and objectives of this study are to:

In accordance with Education Code section 84041 (a), (b) and (c) the San Jose-Evergreen Community College District has requested the FCMAT Team pursuant to Education Code section 42127.8 to review the district's budget policies and processes to establish and maintain sound financial and budgetary practices that comply with principals of sound financial management. The analysis will include but not be limited to: requisition and purchasing processes, position control, internal controls, competitive bidding, credit card use, cash management and other internal business practices regarding the expenditure or use of funds. The study will focus on the internal controls and budget practices for the Board of Trustees and administration at both district sites for the purposes of identifying issues of potential fraud, misappropriation of funds or other illegal practices that may threaten the fiscal integrity of the district. The team will provide findings and recommendations to strengthen the district's internal controls.

Specific areas of review will include the following:

- Investigation of Alleged Financial Impropriety; In accordance with Education Code section 84041(c)(1), the FCMAT Team will provide management review of the district and its educational programs or an audit of the financial conditions of the district.
- Review decisions made by the previous Chancellor regarding the ability to improperly influence any decision relating to the appointments, assignments, promotions, transfers, professional opportunities including travel and business trips, or other job benefits relating to district employees
- Evaluate employee appointments, assignments, promotions, transfers, professional opportunities including travel and business trips, or other job benefits to which any employees were not entitled or for which they were not qualified. And if so, did the previous Chancellor play a role in receiving those job benefits?
- Review district paid travel claims for employees that were not related to the business of the district, and for which the district did not receive value or services.
- Evaluate the Chancellor's use of district funds for any personal benefit or gain, including but not limited to using public funds for personal travel, goods or services for the Chancellor, family members, or friends.
- Review any violations by the previous Chancellor regarding any district policy, procedure or term of the employment contract and the utilization of district funds, maintained records of expenditures, or the use of business credit card and/or business accounts. This area of the investigation should report both on any improper expenses and any improper process used pursuant to district policies, procedures and the Chancellor's contract.

- Evaluate district pay for any travel of the Board of Trustee members that was not related to the business of the district, and for which the district did not receive value or services for the past three fiscal years.
- Conduct an evaluation of district paid travel for the President of Evergreen Valley College, or the President of San Jose City College that was not related to the business of the district, and for which the district did not receive value or services.
- Conduct an evaluation of the district's payment for any travel for other district administrators that was not related to the business of the district, and for which the district did not receive value or services.
- Evaluate and compute any improper expenditure of district funds, as outlined above regarding the dollar value of these expenditures.

**B. Services and Products to be provided**

- 1) Orientation Meeting - The Team will conduct an orientation session at the district to brief management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.
- 2) On-site Review - The Team will conduct an on-site review at the district office and at college sites if necessary.
- 3) Progress Reports - The Team will hold an exit meeting at the conclusion of the on-site review to inform the district of significant findings and recommendations to that point.
- 4) Exit Letter - The Team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.
- 5) Draft Reports - Sufficient copies of a preliminary draft report will be delivered to the district administration for review and comment.
- 6) Final Report - Sufficient copies of the final study report will be delivered to the district administration following completion of the review.

**3. PROJECT PERSONNEL**

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

- A. Jim Cerreta, FCMAT Fiscal Intervention Specialist, CFE
- B. Debi Deal, FCMAT Fiscal Intervention Specialist
- C. Regan Romali, FCMAT Community College Consultant(s)
- D. Office of the County Counsel, County of Santa Clara
- E. Jayne W. Williams, Managing Principal, Meyers Nave

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

#### 4. **PROJECT COSTS**

The cost for studies requested pursuant to Education Code section 84041 shall be:

- A. \$800.00 per day for each FCMAT staff Member while on site, conducting fieldwork at other locations, presenting reports, or participating in meetings. The cost of independent consultants will be billed at the actual daily rate based on the provisions of EC 84041. The total projected cost for this study shall not exceed the total amount of \$145,000.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc.

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

The total amount payable under this Agreement shall not exceed the maximum amount of this Agreement plus reimbursable expenses as specified in the Agreement. Payment shall be made monthly in arrears upon receipt of an invoice, in triplicate, specifying this Agreement Number and the expenditures for the period covered, broken down by Project Authorization. Payment of all invoices will be subject to withholding of ten percent of the expenses billed pending satisfactory performance of this Agreement. No payments shall be made without the written approval of the Project Monitor and the Executive Vice Chancellor, or his/her designee. Such approval is contingent upon the Project Monitor's approval of the progress the Contractor has made within each respective invoicing period. Approval of invoices by the Project Monitor and the Executive Vice Chancellor or his/her designee shall not be unreasonably withheld.

Payments for FCMAT services are payable to Kern County Superintendent of Schools – Administrative Agent.



## 5. **RESPONSIBILITIES OF THE DISTRICT**

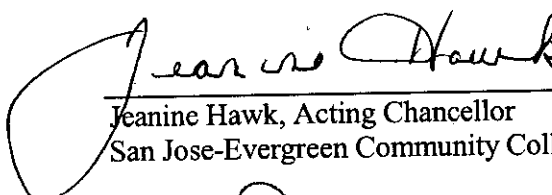
- A. The district will provide office and conference room space while on-site reviews are in progress.
- B. The district will provide the following (if requested):
  - 1. A map of the local area, location of each college
  - 2. Existing policies, regulations and prior reports addressing the study request
  - 3. Current organizational charts
  - 4. Current and two (2) prior years' audit reports
  - 5. Current financial system report by Fund, Site, Resource and Object or sub Fund
  - 6. Budget Development Calendar
  - 7. Board Policies for Purchasing processes
  - 8. Administrative or Department Procedures for Budget Development
  - 9. Any additional requests for documents that are made while the team is on site
  - 10. Adjunct Faculty budget and expenses
  - 11. Collective Bargaining Agreements
- C. The district administration and Chancellor's Office will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report.


## 6. **PROJECT SCHEDULE**

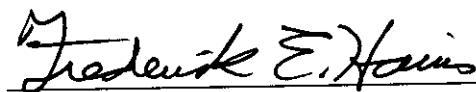
The following schedule outlines the planned completion dates for key study milestones:


Orientation:	March 1, 2009 or to be determined
Staff Interviews:	To be determined
Exit Interviews:	To be determined
Preliminary Report Submitted	To be determined
Final Report Submitted	To be determined
Board Presentation	To be determined

7. CONTACT PERSONName of contact person: Jeanine Hawk, Acting ChancellorTelephone: (408) 274-6700 FAX Email: jeanine.hawk@sjeccd.edu

 2/10/10  
 Jeanine Hawk, Acting Chancellor  
 San Jose-Evergreen Community College District  
 Date

 February 4, 2010  
 Anthony L. Bridges  
 Deputy Executive Officer & Project Director  
 Fiscal Crisis and Management Assistance Team  
 Date

 4 Feb 2010  
 Frederick E. Harris  
 Assistant Vice Chancellor & Project Monitor  
 California Community College Chancellor's Office  
 Date

 2/4/10  
 Steve Bruckman  
 Executive Vice Chancellor of Operations and General Counsel  
 California Community College Chancellor's Office  
 Date