

Standard III.D. Financial Resources

Financial resources are sufficient to support student learning programs and services and to improve institutional effectiveness. The distribution of resources supports the development, maintenance, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability. The level of financial resources provides a reasonable expectation of both short-term and long-term financial solvency. Financial resource planning is integrated with institutional planning.

Summary

SBCCD's annual budget process begins with the release of the governor's preliminary budget in January of each year and follows a budget calendar approved by the SBCCD Board of Trustees. The budget is developed in accordance with Title 5, California Community Colleges Budget and Accounting Manual (BAM), the best practices of the Government Finance Office Association GFOA, and the fiscal policies set forth by the board. The SBCCD has received the GOFA Distinguished Budget Presentation Award for fiscal year 2011 and 2012 (9.1, 9.7).

SBVC receives unrestricted general funds via the SBCCD Resource Allocation Model RAM, which distributes funding to two colleges and central support programs. The 2013-2014 allocation model distributed funding at a 70:30 ratio to SBVC and CHC respectively, after an assessment was made to cover the expenses of programs that were considered districtwide, including Fiscal Services, Human Resources, Chancellor's Office, School Police, Central Computing services, and other programs including KVCR television and radio, and the Employment Development Training Center (EDTC). The SBVC Fiscal Year 2013-2014 Unrestricted General Fund budget totaled \$39,516,761 (9.2, 9.72).

SBCCD has been in financial decline in recent years due to the state budget cuts. This has severely impeded improvements across all programs. Accordingly, caps in FTES have declined, and expenses have been adjusted to match revenues, resulting in cuts in most areas. The board's adopted directives have guided the development of a strategic budget that carefully balances the need to provide access to educational resources for SBVC communities and provide academic excellence in SBVC classrooms. It has also preserved SBVC's commitment to faculty and staff (i.e., SBVC has not had any layoffs of full-time contract employees, furloughs, or other salary reductions due to deficit spending from a healthy fund balance). The board has set the fund balance minimum at 15 percent of general fund expenditures, while the state has a 5 percent minimum requirement. This strategy, along with selective hiring (priorities set at the college level but approval to fill determined at the Chancellor's Cabinet), reductions in subsidies to KVCR, and active management of past and future liability for Other Post-Employment Benefits OPEB, allows SBVC and SBCCD to weather the budget challenges of recent years (9.3, 9.4).

SBVC has built a substantial fund balance in addition to the SBCCD fund balance. This has allowed SBVC to deficit spend during recent years of state budget shortfall. While the

SBVC fund balance is a resource that has been relied upon to some extent, it is the conservative and prudent cost control measures that have mitigated SBVC's reliance on the same. These measures include collaboration with SBCCD via the Chancellor's Cabinet regarding selective filling of vacant positions and using these savings to maintain as much access as possible by minimizing cut sections, as well as holding where possible, supply and contract costs to previous the previous year's budget amount (9.2, 9.72).

The SBVC Budget Committee serves in an advisory capacity to the College Council in all aspects of budget development and management to protect the financial well-being of SBVC and to operate successfully within the budget. The Budget Committee makes data-driven recommendations that align resource allocations with resource planning, utilizing the college mission, institutional planning documents, and program review recommendations (9.5).

The Budget Committee serves in all three areas of the College Council's primary functions including planning, issue management, and communication. Specifically, the Budget Committee develops annual budget assumptions, recommends reserve and contingency funds, identifies discretionary monies, and reviews and develops strategies for funding campus priorities. The Budget Committee reviews and makes recommendations for resolution of emerging budget issues and creates processes for better budget development and management. Throughout the year, the Budget Committee articulates and clarifies the budget development and management process for the campus community, including training, promoting budget awareness, and maintaining the transparency of budget decisions (9.6).

III.D.1. The institution's mission and goals are the foundation for financial planning.

Descriptive Summary

The SBVC developmental budget begins with the distribution of the annual developmental budget worksheets in March. The timeline for the developmental budget process is driven by the board-adopted budget calendar and ultimately state requirements. Internally, SBVC has its own method of creating the developmental budget to meet the deadlines (9.7, 9.8).

VPIs and division deans review SBVC's mission and goals as identified in the Strategic Plan, and incorporate them into the developmental budget. The following strategic initiatives of the plan are used by departments and divisions to guide preparation of the developmental budget:

1. Access
2. Student Success
3. Communication, Culture, and Campus Climate
4. Leadership and Professional Development
5. Effective Evaluation and Accountability
6. Facilities

Details and objectives to these goals can be found in the SBVC Strategic Plan, which was updated in 2013-2014, pending final approval (9.9).

The SBVC Planning Model integrates the campus mission, EMP, Strategic Plan, and associated goals with the program review process as a means of setting priorities for funding institutional improvements. Program review aligns with the campus mission by using the goals of the Strategic Plan each year to determine priorities for both ongoing funding (i.e., growth positions and budget augmentation, as well as one-time needs for equipment and technology or facilities improvements (9.9, 9.10, 9.11, 9.37).

The SBVC mission and Strategic Plan goals are the foundation for all funding decisions. In 2013-2014, the SBVC Budget Committee, which serves in an advisory capacity to the College Council, instituted a new process for funding urgent or emerging needs requests including a campus funding process flowchart and application forms, both of which include specific and mandatory ties to the SBVC mission and strategic planning goals.

Self-Evaluation

The institution meets the standard. Budget development is a task that increases management's workload during the months of March-April. As such, managers may lose sight of the big picture (i.e., the institution's mission and goals). The process can be improved during budget development by making the mission and goals more visible.

In recent years of budget decline, difficult decisions were made relative to cuts: when, where, how much. This occurred during budget development as well as planning for midyear cuts if they became necessary. The SBVC goals and Strategic Plan were considered when planning for diminishing revenue. Likewise, during this new period of potential growth, the mission and goals are considered and used to guide the planning for increased revenue. The six goals are not prioritized in any way; all are significant and important to the success of the institution, from "access" to "facilities." If any goal becomes significantly out of balance for too long in terms of funding and attention, SBVC suffers.

Actionable Improvement Plan

1. SBVC will print the mission and goals on financial planning documents so they are visible, up front and center. SBVC will include the mission and goals in the developmental budget instructions to management with direction to consider these as the budget is developed.

III.D.1.a. Financial planning is integrated with and supports all institutional planning.

Descriptive Summary

The Program Review Committee conducts needs assessment every fall to identify campus needs for growth in the areas of faculty, classified staff, budget, equipment technology, and

facilities. The needs assessment process is linked to the campus mission, EMP, Strategic Plan, and goals. All campus programs with a program efficacy status of “Continuation” may participate in needs assessment. Needs requests for faculty, classified staff, budget, and equipment are approved and prioritized by the Program Review Committee. Needs requests for technology and facilities are forwarded to the Technology Committee and FSC who utilize their own prioritization processes. Needs assessment prioritization lists are forwarded to the president.

The new multiyear budgeting process, which takes input from the SBVC Budget Committee, is also tied to the strategic goals of the campus. Annual and long-term budget requests are based on the evaluation of goals in program review. The Program Review Committee analyzes campus program and service needs and provides a prioritized list. Program efficacy review is also used as a factor in making budgeting decisions (9.69, 9.70, 9.71).

Campus plans (strategic, educational, enrollment management, student equity, professional development, SSSP, facilities, and technology) provide a framework for the SBVC campus financial planning process. The committees or departments that oversee these plans become the natural responsibility centers to monitor progress, manage the communication, and incorporate financial planning (9.9, 9.34, 9.37, 9.61, 9.73, 9.74, 9.75).

The College Council comprises representatives from all other committees on campus and provides an excellent forum for integrated planning among all constituencies, campus plans, and committees. The College Council is regularly apprised of budget and financial status of SBVC, especially prior to funding decisions (9.12).

Throughout the year, the Budget Committee articulates and clarifies the budget development and management process for the campus community within the guidelines of campus planning documents. Budget Committee activities include training, promoting budget awareness, and maintaining the transparency of budget decisions.

The SBVC financial planning is integrated with district planning as well, as it is a prime component of the district financial picture. During budget development, and increasingly during multiyear planning, numerous meetings are held between the DBC, SBVC administration, SBCCD Fiscal Services, and the chancellor to establish short- and long-term goals for the SBVC and SBCCD, and the associated financial strategy (9.13).

Self-Evaluation

The institution meets the standard. Financial planning is integrated into institutional and district planning. Financial planning supports institutional planning by identifying funding for resources identified through program review needs assessment process and urgent and emerging needs funding process, both of which are linked to strategic planning.

The SBVC Planning Model visibly demonstrates how campus mission, planning documents, processes, and committees have interacted to support SBVC. The reemergence of the Budget Committee as an independent collegial consultation committee in 2013-2014 and the

development of the urgent and emerging needs funding process is not reflected in the SBVC Planning Model. In May 2014, the College Council decided to revise the SBVC Planning Model to more accurately reflect how campus funding processes are integrated with campus planning. The dean of research, planning and institutional effectiveness was charged with developing drafts for the SBVC Planning Model over the summer 2014 to be presented to College Council and collegial consultation groups for review and feedback in fall 2014.

Actionable Improvement Plan

1. SBVC will review and update the SBVC Planning Model.

III.D.1.b. Institutional planning reflects realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements.

Descriptive Summary

The SBVC community in general, as well as institutional planners, receive regular updates and information regarding college financial health and planning. The president provides budget updates and information at each semester opening day address, and at other opportunities throughout the year, including open college forums. The budget forecast, including budget assumptions, is also presented at open meetings of the board (9.15, 9.16, 9.17).

The DBC reviews timely revenue forecasts and budget information each month, and uses this information to make realistic and meaningful budget recommendations to the chancellor. While this occurs throughout the year, there is focused effort during the budget development cycle to establish budget assumptions and goals, including FTES targets for the year (9.20).

The SBVC Budget Committee is updated monthly by the vice-president of administrative services VPAS and other members of the DBC (9.14). College Council is provided a monthly update of fund balance prior to hearing requests for funding and making recommendations of funding these requests from the fund balance. These committees have representation from all constituent groups, and the budget/financial information is disseminated further by these individuals (9.21).

The budget as well as monthly expenditure reports are presented at open meetings of the board and posted on the SBCCD website (9.22, 9.23, 9.24, 9.25).

The budget development worksheets are sent to the departments and divisions along with a budget memo that includes instructions and parameters that have been set by the DBC, the Chancellor's Office, as well as the SBVC Budget Committee and VPAS. These instructions and parameters take into consideration realistic financial resource information combined with SBCCD and SBVC goals for the year (9.8).

In 2009, the Chancellor's Cabinet approved the "Summary of Budget Allocation Model 2008-09," which clarified the methods used for 2008-2009 allocations to SBCCD operations and the colleges. This document represented the first written description of such allocations ever done in the District. It thus represented a major advance in transparency and communication for SBCCD and its colleges. The Cabinet made the decision to develop a model based on best practices that would meet current and future needs (9.26).

To address the issue, SBCCD convened a RAC. Beginning in October 2009, RAC members examined the characteristics of the existing allocation model in detail, considered best practices in the field and eight budget models from other multicampus districts, formulated guiding principles for the SBCCD model, and sought input from colleagues at the campuses.

Following rounds of review and feedback from the RAC and SBCCD community, the chancellor presented the revised model to the RAC on May 17, 2010. After making further revisions based upon feedback from the RAC and responses from the District community survey, the RAC then approved the model unanimously, as amended. The chancellor shared the adopted model with all SBCCD employees in June 2010.

The approved model has been used in determining allocations to the colleges for fiscal years 2010-2011, 2011-2012, 2012-2013, and 2013-2014. The model has been used each year to communicate budget scenarios (based upon the statewide budget condition) to SBVC. It was also incorporated into the SBCCD Strategic Plan. In accord with the guiding principles; it has been reviewed annually by the DBC representing all district constituents.

SBCCD engaged a third party, the CBT, to do a review of the internal RAM established in 2010. The purpose was to determine if there were inherent weaknesses in the model that had an adverse impact and if there were ways the model could be made better. Further, the scope of the engagement included a review of how the resources were being utilized at the colleges and to see if CBT might have recommendations to improve upon that (9.27, 9.28).

To that end the following questions were to be addressed:

- Is the allocation model reasonable or is there a disadvantage to one or the other college?
- Can the allocation model be adjusted to be fairer and what are the implications of doing so?
- Is the model causing the deficit spending?
- Are the colleges inefficient in spending?
- What operational changes might the colleges make to ensure a balanced budget?

The study resulted in a number of recommendations to the SBCCD and both colleges, which are documented along with responses from Chancellor's Cabinet and the DBC (9.27, 9.28, 9.29, 9.30).

Recommendations significant to SBVC include the following:

1. Look at combining some resources/services between both colleges.
2. Pay down OPEB vs. making annual payments to this liability.
3. Potentially allow greater growth at CHC without harming SBVC.
4. Develop multiyear budgeting.
5. Improve the Position Control System for accuracy, currency, and strong ties to the financial control system.
6. Reduce or eliminate assessments for KVCR TV-Radio.
7. More transparency and accountability for assessments.
8. Improve the efficiency at SBVC.

This information was presented in an open meeting of the board, at various campus committee meetings, e-mailed to the campus, and made available on the SBCCD website.

Self-Evaluation

The institution meets the standard. Institutional planning does reflect a realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements. The SBCCD and SBVC endeavor to ensure this, as evidenced by the development of a RAM in 2010, and revisiting this in 2014 with the CBT study, and wide involvement of SBCCD and SBVC committees. The DBC minutes and recommendations to the Chancellor's Cabinet indicate the intent to employ most recommendations.

Actionable Improvement Plan

1. SBVC and SBCCD will implement the recommendations of the DBC to the Chancellor's Cabinet.

III.D.1.c. When making short-range financial plans, the institution considers its long-range financial priorities to assure financial stability. The institution clearly identifies, plans, and allocates resources for payment of liabilities and future obligations.

Descriptive Summary

SBVC considers long-range plans, including revenue, growth, expenditure, and fund balance forecasts when making short-term financial plans to ensure the fiscal stability of SBVC.

The College Council considers the budget forecast when making decisions to fund one-time needs and ongoing commitments. For example, the Budget Committee reviewed the budget forecast and "what-if" scenarios prior to making a recommendation to the College Council to spend \$1 million from the general fund balance for the fiscal year 2014 one-time needs requests of program review and to not recommend any ongoing commitments for the upcoming fiscal year. Likewise, the College Council was apprised of short- and long-term financial information prior to approving and recommending the expenditure to the president (9.31, 9.32).

Each year the SBCCD adopts a budget, which includes a list of outstanding obligations. Funds are set aside to cover the SBCCD's long-term liabilities and obligations, including debt service payments, insurance, and health benefits for both current staff and retirees. All liabilities and future obligations are reviewed by the external auditor for compliance with governmental accounting standards. When purchases or contracts are issued, they create the immediate liability. The purchase order or contract cannot be issued or encumbered unless cash funds are available to cover the liability. The fund is encumbered for the contract amount. When the purchase is complete, the payment is released.

The SBCCD maintains a healthy fund balance to help provide a safety net for future obligations. This fund balance is well in excess of the 5 percent minimum for the last eight years. These reserves have been established to help SBVC weather shortfalls in state funding. This has allowed stabilization of educational programs and services. A FMP was developed in 2008 and updated in 2012 to guide the allocation and timing of capital resources.

According to the CBT Report,

The district has a very solid reserve position, limited and manageable long term debt and a board of trustees committed to maintaining a stable operation as evidenced by the board action of March 2013 when the board directives for the 2013-14 budget were approved. This circumstance provides a wider range of options as the district considers how best to manage the operating results of the colleges, evaluate and underwrite any changes to the allocation model it deems necessary. (9.27, p. 14)

Beginning in the developmental budget for fiscal year 2014-2015, at the recommendation of the CBT, SBVC began multiyear forecasting. The DBC, Chancellor's Cabinet, and SBVC Budget Committee considered long-term priorities when developing recommendations regarding long-term retirement liability, subsidy to KVCR radio and television, and setting FTES targets with the long-range goal of increasing SBVC's state-funded FTES.

Long-range maintenance and scheduled maintenance and special repair (SMSR) plans to the state are updated annually, and will incorporate improved financial planning through a new long-range planning tool being developed this year with the Facilities Office at SBCCD (9.33).

Self-Evaluation

The institution meets the standard. SBVC does consider long-range financial priorities when establishing short-term financial plans to ensure both SBCCD and SBVC financial stability. The SBVC administration, in collaboration with SBCCD Fiscal Services and the chancellor, runs numerous "what if" scenarios by changing key variables that show how current budget decisions will play out in the long term relative to financial stability, fund balance, and ability to achieve institutional goals.

In developing the 2014-2015 budget plan, recommendations of the CBT and DBC were also considered and included in the planning, as these recommendations have considerable long-term ramifications on SBVC and the SBCCD as a whole (9.20, 9.29, 9.30).

Long-range planning for facilities has primarily been accomplished through the FMP as required by the bond Measures P and M. Most buildings have been online for some time now, and the remaining will enter service by the end of 2016. Accordingly, cost-loaded long-range maintenance and repair/replacement plans will need more attention, sophistication, and granularity in detail. This must be incorporated into the SBVC financial plan, as these costs can be significant (9.34, 9.35).

Educational and operational equipment replacement has been absent from long-term planning. It has been dealt with on a case-by-case basis in recent years of budget decline. SBVC is beginning to see the result, and while significant replacement was funded in 2013-2014 through processes described above, replacement must be included in long-range financial planning, even if it must be deferred in the year of replacement.

Actionable Improvement Plan

1. SBVC will develop the long-range SMSR planning tool and include it in the long-range financial plans for the College.

III.D.1.d. The institution clearly defines and follows its guidelines and processes for financial planning and budget development, with all constituencies having appropriate opportunities to participate in the development of institutional plans and budgets.

Descriptive Summary

The College Council approved a planning model in spring 2008. The model is based on past practice and uses the mission statement as the foundation for the model followed by the Strategic Plan. The SBVC Planning Model traces decision making from the Strategic Plan to both needs assessment and program efficacy in program review. The planning model was updated in 2013-2014. A flowchart is used for planning purposes to illustrate how requests are funneled from program review to the College Council for review and potential funding. The Budget Committee reviews the college fund balance, budget, as well as revenue and expenditure forecasts, and makes recommendations for fund source and amounts. With available funds identified by the Budget Committee, one-time and ongoing funding for faculty, staffing, budget augmentation and equipment are reviewed in College Council, and funding recommendations are forwarded to the president for approval (9.10, 9.37).

Each spring the college follows a prescribed procedure for budget development. Budget worksheets are provided to each responsibility manager to allocate rollover funds based on area discussions and collaboration to address program needs. Once a budget is developed, budget recording occurs in two areas. First, it is recorded in the county system; and second, it is recorded in the Financial 2000 system, which can be accessed by designated staff. Board

policies and administrative procedures as well as the San Bernardino County Office of Education provide clear guidelines for processing of contracts, purchase requisitions, vendors, and so forth.



The state financial-planning guidelines, processes, and accounting are available on the chancellor’s website. The institution follows the CCCCO BAM procedures for all transactions and recordings.

SBVC and SBCCD follow established board policies and administrative procedures on financial planning, budget development, and financial management. These procedures (6000 series) are published and available on the SBCCD website (9.38).

The processes are also made known and published in the annual budget book, including the budget calendar, budget process, budget assumptions, and influencing factors, such as revenue projections and inflation, regulatory and economic. This information is presented in open meetings of the board, and is also available on the SBCCD website. Other processes are developed within SBVC committees, published and disseminated through college forums, presentations, and via committee members reporting to their constituencies (9.39).

Mechanisms to participate include open meetings of the SBCCD Board of Trustees, DBC, SBVC Budget Committee, College Council, Program Review Committee, Classified Senate, Academic Senate, open college forums, President’s Hour, and the many other open and participatory committees on the SBVC campus (9.40).

Self-Evaluation

The institution meets the standard. The 2013-2014 budget year began an increased effort to communicate budget information and improve budgetary shared decision making. A budget committee was reestablished after several years in hiatus.

In January 2013, the College Council agreed that the SBVC Budget Committee should be reestablished as a collegial consultation committee reporting to the College Council. Several years earlier, the committee was abandoned and the basic functions were ostensibly consolidated into the College Council. While some budgetary decisions were made in this body, this model was not optimum in terms of transparent financial planning and budgeting, opportunities for a broader group to participate in the financial planning of the college, and communication/ dissemination of information.

After consultation with the Academic and Classified Senates, the Budget Committee was approved by the College Council on February 27, 2013, and is operating according to its charge. The committee is moving through the District Assembly process for inclusion in the board policies and administrative procedures (9.5). The SBVC Planning Model will be updated to include the Budget Committee.

Encouragement and new emphasis is being placed on members to “share” the information gained in these meetings with their constituencies and to solicit feedback.

Actionable Improvement Plan

None.

III.D.2. To assure the financial integrity of the institution and responsible use of financial resources, the internal control structure has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision-making.

III.D.2.a. Financial documents, including the budget and independent audit, have a high degree of credibility and accuracy, and reflect appropriate allocation and use of financial resources to support student learning programs and services.

Descriptive Summary

SBCCD has several measures in place to maintain the financial integrity of the SBVC. Both county and district software systems are in place to prevent the overexpenditure and encumbrance above the approved budget in the account series. Monthly negative balance reports are distributed to departments, programs, and divisions to help correct over expenditures within line-item budgets. Financial 2000 does not allow a purchase requisition be converted into a purchase order without the proper fund balance available to fund the request.

All changes to the budget, as in transfers between accounts, and budget adjustments, follow a designated approval process that ultimately includes review and recording by the Campus Business Office (CBO), and finally approval by Fiscal Services and the Board of Trustees. These changes are all open for review and scrutiny at the board meeting, and are available on the SBCCD website (9.42, 9.43, 9.44).

The software (Financial 2000) also requires that requests for expenditures must go through several approval layers before being processed, which results in payments to the service provider. Periodic audits occur by SBCCD and the county to make sure the proposed expenditure conforms to governmental accounting standards for both the accounting object and program-funding source.

SBCCD also provides the campus with timelines for fiscal operations, including when funds become available, when accounts must be spent, and what date is the last on which to incur expenses for the fiscal year to allow for an orderly closeout of accounts.

Funds are allocated as shown in the budget. Budget reductions in recent years have made it difficult to realistically achieve SBVC's goals. The budget assumptions and narrative in the published budget book describe these difficulties, the sacrifice, and the logic behind decisions for budget cuts.

The institutional budget is an accurate reflection of institutional spending. The SBVC budgeting process changed in 2013 in an effort to become more transparent, and interactive, with regular reporting to constituencies (9.41).

SBCCD contracts for annual independent audits. SBCCD has an internal auditor who reviews any transactions for irregularities and provides his findings and recommendations for corrective action.

SBCCD annual independent audits reflect the appropriate allocation and use of financial resources in compliance with established governmental rules, regulations, policies, and established accounting practices. Findings are provided to SBVC and appropriate action is taken to correct the finding immediately. Measures are implemented to ensure proper conformance to rules, regulations, policies, and approved governmental practices.

The audit findings are reported at the public meeting of the board. While these findings are posted on the SBCCD website, beginning in 2013-2014, the audit findings are reported to the Budget Committee and College Council for posting and dissemination to constituencies (9.45, 9.46, 9.47).

Self-Evaluation

The institution meets the standard. Budgeting and monitoring expenditures is a shared process with SBCCD. Expenditures are prioritized to ensure that they go directly to instruction, support programs, and services for students.

The internal control processes are highly scrutinized at multiple levels within the control structure of SBVC and SBCCD Fiscal Services, including ongoing oversight by the District internal auditor to ensure regulatory compliance and best practices. Any discrepancy or issues that get through the campus control and CBO, are brought to SBVC's attention and resolved in collaboration with Fiscal Services and the internal auditor. An external auditor reviews internal controls, management practices, and financial documents annually and reports to the Board. SBCCD responds in a timely manner to any audit exceptions or recommendations (9.45, 9.46, 9.47).

SBVC has a computer network drive dedicated to "campus forms and information," and it is updated regularly by the SBVC administrative assistants and secretaries. This drive is a consolidation of internal process and procedures including financial.

Actionable Improvement Plan

None.

III.D.2.b. Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.

Descriptive Summary

An external audit is conducted annually and reported to the board at an open meeting. The audit findings are posted on the SBCCD website, are communicated at the DBC, and beginning in 2013-2014, are communicated to the SBVC Budget Committee.

The external audit is conducted in the fall of each year, and submitted to the CCCCCO by December 31. The last audit findings were in fiscal year 2011. Management responded immediately to the findings with corrections and implemented the correction plan prior to preparation of the final audit report. The District had no audit findings in fiscal year 2012 or fiscal year 2013 (9.45, 9.46, 9.47).

Self-Evaluation

The institution meets the standard. Pages 62 and 63 of the 2012 audit report contain a review of the findings from fiscal year 2011 and report the status as "Implemented."

In previous years, the audit report may have been completed just prior to submission to the CCCCCO, following with a report to the SBCCD board in January. Beginning this year, the SBCCD internal auditor and vice chancellor of fiscal services have advanced the audit completion requirement to October, with the report to the SBCCD Board in November, and subsequent submission to the CCCCCO.

Actionable Improvement Plan

None.

III.D.2.c. Appropriate financial information is provided throughout the institution.

Descriptive Summary

Budget and information about fiscal conditions is presented regularly at campuswide presentations, open forums, and in numerous committees represented by the constituencies. If an individual chooses not to attend any of these meetings, committees, or forums, much information is available on the SBCCD website including the annual budget, monthly expenditures, purchase orders, cash flow, budget presentations, and audit reports (9.15, 9.16, 9.17, 9.18, 9.19, 9.20, 9.21, 9.22., 9.23, 9.24, 9.44, 9.55).

The SBVC budget and funding process depends on this information. The Budget Committee charge includes

regular and timely dissemination of budget and financial information to the campus. Throughout the year, the Budget Committee articulates and clarifies the budget development and management process for the campus community, including training, promoting budget awareness, and maintaining the transparency of budget decisions.

Self-Evaluation

The institution meets the standard. SBVC is provided information about budget and the fiscal condition of both SBVC and SBCCD, and about recommendations for financial plans to be implemented. The information provided to the campus is sufficient in content and timing to develop and maintain a budget that will support institutional goals.

Campuswide constituencies are informed of college budget and finance information multiple times each year through opening day presentations and open campus forums facilitated by the president, and through reports from representatives of the DBC, Budget Committee, College Council, Academic Senate, and Classified Senate.

Actionable Improvement Plan

None.

III.D.2.d. All financial resources, including short- and long-term debt instruments (such as bonds and Certificates of Participation), auxiliary activities, fund-raising efforts, and grants, are used with integrity in a manner consistent with the intended purpose of the funding source.

Descriptive Summary

There is an annual assessment to the SBVC for debt repayment obligations. SBCCD and SBVC employ prudent debt management practices. In 2002, voters authorized the sale of general obligation bonds totaling \$190 million (Measure P), and in 2008 the voters again approved the sale of additional general obligation bonds in the amount of \$500 million for capital improvements to both colleges in the SBCCD. Attending to SBVC's debt service and management, in 2005 the SBCCD issued bonds to advance a refund of \$52 million in outstanding 2002 bonds. The net proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on 2002 Series A and B bonds.

Series A, B, and C of the Measure M authorization have been sold in the amount of \$258 million. SBCCD does not plan to issue any additional debt in fiscal year 2014 for construction; however, the SBCCD is keeping a watchful eye on the assessment value of property within SBCCD boundaries to determine the appropriate timing for additional bond sales in future years.

In a continuing effort to maintain solid debt management practices, in December 2012, the SBCCD adopted a resolution to refinance all of the outstanding 2002 Series C bonds, 2005 refunding bonds, and the 2008 Series A bonds to reduce the total debt service on those bonds. SBCCD receives no additional funds from the refinancing, and all of the benefits are given to the local taxpayers. The term of the bonds being refinanced will not be extended, thus the refinancing will not change the number of years the SBCCD's bonds will be outstanding. The Citizen's Oversight Committee, responsible for oversight of bond expenditures to ensure compliance with bond language and Prop 39 requirements, has reported annually to the board and community that all expenditures are in compliance and funds are used appropriately (9.48).

The SBCCD has offered three SERP since 2003. The plans all offered monetary incentives, and health insurance benefits ending when the individuals reach the age of 65. The debt for the monetary benefits of the first and second SERP has been retired, and the third will be retired in June of 2014. The medical benefits end as each individual reaches the age of 65 and will be retired in 2020. The SBCCD has assessed the colleges for these past liabilities and continues to assess for SBVC's future OPEB liability per annual required contribution (ARC) in accordance with Governmental Accounting Standards Board (GASB) Statement 45 (9.72).

Resources are allocated as per the SBCCD allocation model, which assesses the SBVC for these liabilities prior to the allocation of resources to ensure financial stability (9.2).

Processes are established to ensure that the integrity of purchase requests match the intended allocation. An example of this is the one-time special allocation to programs campuswide in the spring of 2014. The recommendation for funding was generated from the Budget Committee, and then the College Council developed and approved a process for program requests for the funding, allocation amounts, and approval process (9.59, 9.60, 9.61).

Student clubs have their expenses approved by club membership and by student leadership and SBVC staff to ensure that expenditures are consistent with the mission and the goals of the institution. Expenditures support student access to the institution and success in completion of educational requirements.

Both internal and external audits of the CBO, which handles the financial transactions of clubs and organizations, are performed annually. Managers or advisors are notified by the supervisor of CBO each year as to the status and funds of each club (9.45, 9.46, 9.47).

Grants, such as Title V, furnish an annual performance review (APR) to the federal government to remain in compliance with the objectives of the grant. All grants received by the institution are managed by an assigned grant manager and reviewed by the SBVC director of grants, for fiscal and performance accountability. Grant and other special fund expenditure requests are also reviewed by SBCCD Fiscal Services prior to approval of the expense.

Most fundraising activities are conducted or processed through the SBVC Foundation. The activities are approved by its foundation board working closely with the SBVC administration to ensure that activities are appropriate and in keeping with the missions of both the foundation and SBVC. The executive board (9.49) includes the president of the college (secretary) and the director of Fiscal Services (treasurer; 9.50).

Self-Evaluation

The institution meets the standard. External audits conform to governmental accounting standards; the audits demonstrate the financial integrity of the institution.

Actionable Improvement Plan

None.

III.D.2.e. The institution's internal control systems are evaluated and assessed for validity and effectiveness and the results of this assessment are used for improvement.

Descriptive Summary

SBVC's internal control systems are audited annually by the SBCCD external auditor. No exceptions have been noted in two consecutive years. The audit findings are reported to the

board each year, and posted on the SBCCD website. Any findings are immediately met with an acceptable solution that is implemented and reviewed at the next audit.

Financial management processes are reviewed after each audit to identify any areas where improvement can be implemented. The audits include financial statements, and discuss the financial management of SBVC in the area being audited. The reports make recommendations about internal controls that could strengthen and improve SBVC's financial processes and accountability. SBCCD offices also provide direction on improving the effectiveness of fiscal planning, implementation, and operation (9.45, 9.46, 9.47).

Additionally, the SBCCD offices and management of SBVC are members of various statewide committees and professional organizations and attend meetings to obtain information about areas of operation that may need to be addressed at the institutional level.

The SBCCD implemented Financial 2000, a financial program that gives managers easier access to financial data. This was in response to SBVC's request for a financial management tool that would provide a higher level of fiscal oversight.

In response to a need at SBVC for improved budgeting tools for planning, development, and management, SBVC, in collaboration with SBCCD Fiscal Services, is reviewing more advanced budgeting software for deployment and training prior to the fiscal year 2015-2016 budget development cycle.

Self-Evaluation

The institution meets the standard. SBVC and SBCCD have shown continued improvement in this area, and as indicated, are continuing to press forward for increased oversight and fiscal management capability.

Actionable Improvement Plan

1. SBVC and SBCCD will implement the recommendations of the DBC to the Chancellor's Cabinet.

III.D.3. The institution has policies and procedures to insure sound financial practices and financial stability.

III.D.3.a. The institution has sufficient cash flow and reserves to maintain stability, strategies for appropriate risk management, and realistic plans to meet financial emergencies and unforeseen occurrences.

Descriptive Summary

SBVC has fiscal policies and procedures to ensure sound financial practices and financial stability. BP/AP6200, Budget Preparation; BP/AP6250, Budget Management; BP/AP6300,

Fiscal Management; BP/AP6320, Investments; BP/AP6330, Purchasing; BP/AP6340, Contracts; and BP/AP6400, Audits, are maintained and employed by SBCCD Fiscal Services and tested for compliance annually by the outside auditor.

There have been no audit exceptions in the past two consecutive fiscal years. In fiscal year 2013-2014, SBVC and SBCCD are reviewing and modifying these board policies and administrative procedures Chapter 6 for improvement, update, and consistency with governmental budgeting and accounting standards and CCCCO guidelines (9.38).

SBVC has built a healthy fund balance in recent years and has relied on this to minimize the negative impact of the state budget crisis and diminishing revenues to the College. Recent ending balances: fiscal year 2010-2011, \$5.06 million; fiscal year 2011-2012, \$3.7 million; fiscal year 2012-2013, \$2.6 million.

The reserves indicated above were available for the fiscal emergency and resultant deficit spending of more than \$1 million annually. This was sufficient when used in combination with prudent fiscal control on spending and growth during this period (9.39).

The SBVC fiscal reserve equals its fund balance. As the CCCS appears to begin a period of growth again, the SBVC Budget Committee and College Council in accordance with SBVC procedure have released some of the fund balance for the one-time purchase of emerging and urgent needs as well as program review priorities. The projected fund balance at the end of fiscal year 2013-2014 is \$5.48 million (9.21).

In fiscal year 2013-2014, after a recommendation from the CBT, SBCCD, SBVC, and CHC began a biweekly fiscal meeting to review and discuss fiscal issues, budget, policy and administrative procedures, and all topics relative to the fiscal health of the colleges and SBCCD. The meeting is attended by the vice chancellor of fiscal services, director of fiscal services, and both college presidents and CBOs. The meeting also provides the opportunity to establish/ review long- and short-term goals, run "what-if" scenarios for multiple options and determine how to achieve these goals as a team.

SBCCD and SBVC are covered by the SWACC, which is a joint powers authority (JPA). It was formed for the purpose of providing the services and other items necessary and appropriate for the establishment, operation, and maintenance of a joint program for liability and property damage claims against public agencies. In addition, it also provides a forum for discussion, study, development, and implementation of recommendations of mutual interest with other joint programs. The third-party administrator for SWACC is Keenan and Associates. The board of this co-op has determined that the amount of coverage for SBCCD is sufficient to meet the needs of each college.

The large financial emergencies and unforeseen occurrences are addressed by the SBCCD reserve. SBCCD has various risk-management programs covering property and liability impacts, workers compensation programs, and so forth, that provide coverage for any catastrophic event(s) impacting SBVC. SBCCD has several processes in place to provide appropriate risk-management strategies, including mandated cash reserves, additional reserve

balances, and spreading the risk by membership in SWACC. Membership costs for participating districts in the SWACC are determined on actuarial studies. Sufficient funds exist to cover significant incidents.

SWACC administers the SAFER program for excess property and liability insurance coverage. SAFER has numerous layers of excess protection for SBCCD. The SBCCD deductible for liability is \$50,000, and \$5,000 for property. The current premium for this coverage is \$456,000 annually, and is assessed from the colleges prior to their allocation (9.52).

Risk management is also improved through the efforts of the newly created office of Environmental Health and Safety, which provides training, safety and emergency plans, and hazard management (9.53).

SBCCD depends on the state apportionment for funding its budgets. Delays (deferrals) in the distribution of funds have required SBCCD to engage in annual short-term borrowing from the county treasury in the form of an interest-free tax revenue anticipation note (TRANS) or similar instrument. This has allowed SBCCD to make payroll and other expenses at the end of the fiscal year, while waiting for deferred revenues. In fiscal year 2013-2014, SBCCD will not need to borrow from the county treasury, and if state deferrals continue to reduce, this may not be necessary in the future. The board may approve interfund transfers/ borrowing if cash-flow issues arise.

Self-Evaluation

The institution meets the standard. Established policies and procedures, SBCCD and SBVC's effort to review and update these policies and procedures, and the outstanding audit findings are all testament to SBVC's sound fiscal standing and stability (9.55, 9.56, 9.57).

SBCCD and SBVC have sufficient financial reserves and strategies to maintain financial stability, as has been proven in the recent five years of state budget decline. Healthy financial reserves have allowed SBVC to deficit spend during this period. While the SBVC fund balance is a resource that has been relied upon to some extent, it is the conservative and prudent risk management and cost control measures that have mitigated SBVC's reliance on the same. These measures include collaboration with the SBCCD via the Chancellor's Cabinet regarding selective filling of vacant positions and using these savings to maintain as much access as possible by minimizing cut sections, as well as holding, where possible, supply and contract costs to previous budget amounts (9.58).

Actionable Improvement Plan

1. SBVC will complete a review of board policies and administrative procedures according to a designated cycle, in coordination with the District.

III.D.3.b. The institution practices effective oversight of finances, including management of financial aid, grants, externally funded programs, contractual relationships, auxiliary organizations or foundations, and institutional investments and assets.

Descriptive Summary

SBCCD manages all institutional investments and capital assets. Foundations are organized as nonprofit organizations (separate 501c3), and constitute entities separate from the institution, with Foundation boards. The SBVC Foundation conducts business in alignment with its established bylaws. Changes to these bylaws through the years are in keeping with the mission of SBVC and the organization. The Foundation is staffed by full-time employees. Officers of the SBVC Foundation Board include a president, vice president, secretary, and treasurer. The SBVC president serves as the secretary and the SBCCD director of Fiscal Services serves as the treasurer. The treasurer provides direct financial support to the Foundation working with the staff, auditors, and investment firms on all financial matters (9.50, 9.51).

The SBCCD, CBO, and the appropriate department (Financial Aid, EOP&S, and CalWORKS) oversee and process payments on accounts. Because of the need for so many signatures through the approval path, an ongoing review of the request occurs through each level of approval. If spending is out of the category or beyond the budget for the area, the process is interrupted and corrected.

External funding agencies (federal, state, county, local) require SBVC to provide backup documentation for all payments. Federal regulations require that a certain number of students go through a verification process. An annual report, FISAP is provided to the federal government each September, and reports all the grants, loans, and work-study awards and payments. Financial Aid must also report, but it does so into a different system—the Common Origination and Disbursement system (COE) of the USDE. An audit is performed by the external auditors each July to ensure compliance. Training is provided by the California Student Aid Commission and the USDE, along with conferences, workshops, and webinars to help staff keep apprised of program requirement.

EOP&S provides bus passes, gas cards, parking permits, book vouchers, and book loans. They also provide school supplies to help students. This is funded by categorical funds. Students in the program are required to (a) have a BOG waiver (A/B), (b) be on full-time status, (c) be a first-generation college student, and (d) be in good standing. A program plan is submitted to the state of how funds will be spent. The department submits midyear and year-end reports to the state. These cover all financial transactions in the program. The audits of this department are performed by the external auditor.

SBVC supports special programs and reports to their respective external agencies, for example,

- The STAR program provides supplemental grant aid awards to students who receive Pell grants. Students provide documentation, which is reviewed by staff against

Datatel records. The federal government requires an annual progress report. Audits are performed at the district level. When payments are made, the information is approved at the department level, and submitted to Financial Aid and to the District for further processing.

- CalWORKS provides funding to people receiving welfare to help them obtain an education leading to self-sufficiency. This categorical funding is provided by the state. The student provides documentation of eligibility, verified by staff against the county welfare system. CalWORKS provides book vouchers, childcare, and transportation (bus pass and parking permits). The CCCCO performs an annual audit of the budget to ensure conformance to the program plan and state guidelines. This audit is also reviewed by the District's internal and external auditors and staff. Students are audited for attendance, class load, job verification (and performance) in order to receive continued CalWORKS services.

Annual audit reports are provided to the funding agencies. Electronic reports are also entered into the external funding agencies' electronic programs. These reports and data are audited both by the external agency as well as by external and internal auditors. The external agencies provide audit and compliance reports that ensure the institutional compliance with program and accounting regulations. There were no material findings in the last audit report presented to the Board by SBCCD's external auditor.



SBCCD provides workshops on the procedures for purchasing and contracting. The individual grant managers provide immediate management of the grants, SBVC's director of grant development provides the next level of oversight, followed by SBCCD Fiscal Services.

Self-Evaluation

The institution meets the standard. SBVC practices effective oversight of finances. The annual external audit, and continued procurement and ongoing maintenance of grants and entitlement funding from external agencies, including federal government programs are testament to this (9.45, 9.46, 9.47, 9.50).

Actionable Improvement Plan

None.

III.D.3.c. The institution plans for and allocates appropriate resources for the payment of liabilities and future obligations, including Other Post-Employment Benefits (OPEB), compensated absences, and other employee related obligations.

III.D.3.d. The actual plan to determine Other Post-Employment Benefits is prepared as required by appropriate accounting standards.

Descriptive Summary

SBCCD has offered three SERP since 2003. The plans all offered monetary incentives and health insurance benefits ending when the individuals reach the age of 65. The debt for the monetary benefits of the first and second SERP has been retired, and the third will be retired in June of 2014. The medical benefits end as each individual reaches the age of 65.

SBCCD has assessed the colleges for these past liabilities, and continues to assess for SBVC's past and future OPEB liability per the College's ARC in accordance with GASB Statement 45. The assessment is part of the RAM, and the annual amount is assessed prior to the college allocation (9.72).

Self-Evaluation

The institution meets the standard. SBVC both plans for and allocates sufficient resources to cover short- and long-term liability for OPEB and other employee-related obligations.

Actionable Improvement Plan

None.

III.D.3.e. On an annual basis, the institution assesses and allocates resources for the repayment of any locally incurred debt instruments that can affect the financial condition of the institution.

Descriptive Summary

SBVC annually assesses and allocates resources for the repayment of locally incurred debt. Debt is managed by SBCCD. Locally incurred debt includes the following:

1. TRAN short-term borrowing from the county treasury for cash-flow difficulty brought about by state payment deferrals,
2. SERP, and
3. OPEB (GASB Statement 45 requirements).

SBCCD borrowed from the county treasury in fiscal year 2012-2013 and paid the debt back the following fiscal year, when deferred payments from the state were received.

SBCCD has offered three SERP since 2003. The plans all offered monetary incentives, and health insurance benefits ending when the individuals reach the age of 65. The debt for the monetary benefits of the first and second SERP has been retired, and the third will be retired in June of 2014. The medical benefits end as each individual reaches the age of 65.

SBCCD continues to assess for SBVC's past and future OPEB liability per the ARC in accordance with GASB Statement 45. The ARC is \$666,319, and the SBCCD deposit into the OPEB reserve/trust in fiscal year 2012-2013 was \$750,000. This represented 1.15 percent of the \$65,124,168 unrestricted expenditure and is not an adverse impact on the SBCCD or SBVC financial stability (9.72).

Self-Evaluation

The institution meets the standard. There is no debt concerning the TRAN, and the SERP is well managed to soon eliminate the liability.

There is a recommendation moving forward for the District, in fiscal year 2013-2014, to deposit \$7,482,000 into the OPEB trust account, bringing SBCCD current for past OPEB liabilities. The SBVC portion equates to \$5,177,613 and will be drawn from the college fund balance. While this will reduce the fund balance, it will pay down the liability and more accurately reflect the college financial condition: stable without an inflated balance.

The District has performed outstandingly in managing all locally incurred debt and meets this goal.

Actionable Improvement Plan

None.

III.D.3.f. Institutions monitor and manage student loan default rates, revenue streams, and assets to ensure compliance with federal requirements.

Descriptive Summary

SBVC participates in state and federal financial aid programs, and monitors student loan default rates. The College participates in the state Cal Grant and BOG waiver, in addition to federal grant programs including the Pell grant, Federal Work-Study program, and the Supplemental Educational Opportunity Grant (SEOG).

SBVC participates in private Sallie Mae student loans by providing information to the prospective lenders regarding the student's attendance and course load, and "total cost of attendance," certifying the maximum loan amount for the student. SBVC does not monitor the default rate of these loans, as they are private and the applicants must have a credit check and/or co-signer for the loan. The funds, however, are dispersed to the students through the institutional Financial Aid Office and CBO for security and accountability.

SBVC administered the now sunset federal FFEL program. SBCCD had a combined default rate of 24.77 percent in 2010, and 21.3 percent in 2009. SBVC's default rate for this program was 24 percent for the last cohort year 2009-2010, just below the federal guideline of 25 percent.

SBVC currently administers the federal Perkins loan program. While the College Financial Aid Office processes the applications, the program is administered by Fiscal Services and managed by Affiliated Computer Services Inc. (ACS), a contracted loan servicing company. ACS services the loans, monitors defaults, and sends defaults to collections and to the CCCCO's Tax Offset Program, which garnishes state tax returns, for potential collection.

Funds have not been added to the program in recent years, so the fund balance available for loans has been diminishing. Federal guidelines for maximum default in a three-year aggregate is 50 percent. The SBVC default rate for this loan program follows: 2013, 27.27 percent; 2012, 40.91 percent; 2011, 56.25 percent (9.62).

Self-Evaluation

The institution meets the standard. The loan program is being administered pursuant to federal requirements, and the default rates are being monitored and individual cases reported for potential capture of some of the lost funds. The current balance available in this diminishing fund is approximately \$19,000. The defaults have no effect on the stability of college finances.

Actionable Improvement Plan

None.

III.D.3.g. Contractual agreements with external entities are consistent with the mission and goals of the institution, governed by institutional policies, and contain appropriate provisions to maintain the integrity of the institution.

Descriptive Summary

SBVC has agreements that are processed through the SBCCD Fiscal Services Business Office and submitted to the board for approval. These agreements allow SBVC to provide services to students and to help with the institutional mission and goals. BP/AP6340 governs this process.

Each manager who initiates a contract is responsible for the oversight and performance of the contract. Termination clauses in the agreements can be invoked when a contract is not meeting the scope and standards of the agreement. The office of the vice chancellor of fiscal services provides oversight in the contracting process with the campus. Guidelines and timelines are established and distributed yearly to SBVC.

Architectural, program-management, and construction-management contracts/ services are contracted by SBCCD, and managed by SBCCD's Facilities and Planning Department in coordination with SBVC. These services provide institutional support with ongoing maintenance, new-construction, and reconstruction projects. These projects are outlined in the FMP and the five-year Scheduled Maintenance Plan. Any material changes in the plan, such as projects added to the Measure M bond project list, are in collaboration with SBVC. The Measure M program management procedures, developed in collaboration with SBVC, and updated in 2013, govern internal controls for contracting, invoicing, payments, contract changes/amendments, and so forth. All internal contracting procedures are governed by and fit within the legal parameters of the California Public Contract Code. Bond-related contract issues are resolved in coordination and consult with SBCCD bond and/or construction attorneys. The bond program controls and processes, including financial, are included in the program implementation plan, reviewed and updated annually (9.63).

SBVC uses vendors to provide outside services by contract, such as maintenance agreements with companies that help maintain the plant operations of the institution, including service of boilers, alarms, elevator, fire extinguishers; rodent/pest control, tree trimming, water treatment of water towers, supply of parts, parking lot cleaning, and water purification for science labs. There are also contracts for services that enhance campus operations and/or classroom environments: security (e.g., Brinks Security), maintenance of copy machines and mailing machines, and hazardous waste removal (9.64).

In the Athletics Department, there are numerous annual contracts, which include transportation, game management, and equipment repairs. SBVC also contracts with local K-12 institutions, which provide services to high school students who are dual-enrolled in both their high school and SBVC. There is also an agreement with the SBCS, allowing students in the academy classes to receive credits and certification of program completion.

Self-Evaluation

The institution meets the standard. There are numerous (nonpublic works) contracts, both annual and one-time, to support the college educational programs and operations. These contracts total over \$500,000 of the unrestricted general fund in fiscal year 2014-2015, and are all effectively governed by California Public Contract Code, and BP/AP6340. SBCCD Business Services provides oversight to all College and District contracts to ensure legal compliance, and has a process to submit contracts for review. The President's Cabinet and Chancellor's Cabinet also review all contracts to ensure and maintain the integrity of the institution prior to Board of Trustees' review and approval (9.38, 9.65, 9.66, 9.67).

Actionable Improvement Plan

None.

III.D.3.h. The institution regularly evaluates its financial management practices and the results of the evaluation are used to improve internal control structures.

Descriptive Summary

SBVC has an external auditor contracted by SBCCD Fiscal Services. Audits are conducted annually. SBVC has no audit exceptions since FY 2011. SBCCD immediately resolved and implemented new procedures from those audit exceptions, as indicated in the following year's audit report:

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

FINDING

Condition and Criteria: The California Code of Regulations (CCR) Title 5, Sections 58003.1, 58004, 58005, and 58051 mandate that each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance on the course section). During the audit we reviewed documentation supporting FTES claimed for 60 class sections. We noted that 4 students listed as either no-shows or inactives were dropped by the certificated faculty on the date of census, rather than the day immediately preceding the census date. The inclusion of these inactive students on the 320 report appears to have overstated FTES.

Effect: The District over-reported students served and apportionment may be affected.

Cause: Procedures are not being followed to drop students on the day immediately preceding the census date.

RECOMMENDATION

We recommend that the District strengthen its control process to help ensure that the number of FTES per the 320 report is accurate and complete. Additionally, the District should strengthen controls to ensure that inactive students were properly excluded from the final census count.

CURRENT STATUS

Implemented

FINDING

Condition and Criteria: The California Code of Regulations, Title 5, Section 58003.1 requires each district to base the computation of attendance for full-time equivalent students (FTES) on the “class hour” (also referred to as contact hours). It was noted during our testing of 20 daily and weekly courses that 12 courses used the incorrect contact hour in the calculation of FTES. In 12 of 20 courses sampled the net impact to FTES was an understatement of 3.84.

Effect: The District underreported students served and apportionment may be affected.

Cause: The incorrect contact hour was used in the calculation of FTES.

RECOMMENDATION

We recommend that the District perform an in depth analysis of the impact on FTES from the correction in the contact hours and develop a control to ensure that the future discrepancies do not occur.

CURRENT STATUS

Implemented.

Self-Evaluation

The institution meets the standard. The College’s financial management practices are continually monitored by Fiscal Services and the internal auditor to maintain compliance. Internal processes are reviewed ongoing, and changes are made to resolve issues that arise. One example is a change in the budget transfer process fiscal year 2013-2014. SBVC developed a hybrid electronic form and procedure midyear, collaborated with Fiscal Services and CHC to ensure consistency and approval districtwide, and then implemented the change (9.45, 9.46, 9.47).

Actionable Improvement Plan

None.

III.D.4. Financial resource planning is integrated with institutional planning. The institution systematically assesses the effective use of financial resources and uses the results of the evaluation as the basis for improvement of the institution.

Descriptive Summary

SBVC integrates resource and institutional planning through a process that is illustrated on the SBVC Needs Funding Process document. It is accomplished through the committees, Program Review, FSC, Technology, Budget, and the College Council, with communications and interaction between these committees and other entities of the SBVC College community according to the Needs Funding Process flow and the College communications chart (9.10, 9.11, 9.37).

SBVC establishes funding priorities among competing needs through program review, which is integrated into the SBVC Planning Model. Priority is given to safety first, followed by items that would impart significant negative impact to the program or facility if not funded. Items for growth and improvement are discussed within the committees for merit, followed by a vote among the members for priority. Membership represents a cross-section of the campus community constituencies. Decisions are attendant aligned with the college mission and strategic planning goals (9.69, 9.70).

A review of meeting minutes from the committees involved reveals how decisions are reached, priorities established, and funding is recommended and executed based on program review and the service needs of the College (9.31, 9.40, 9.71).

In recent budget years, a significant portion of program and service needs have not been met due to severe constraints on expenditures in all areas. A review of faculty and classified priority hires, as well as equipment and non-bond-funded capital improvement priorities reveals minimum expenditures in order for SBVC and SBCCD to weather the reduced revenues and increasing state deferrals.

Given the hiatus in spending, healthy fund balance, and the apparent growth the state is experiencing, in fiscal year 2013-2014 the SBVC Budget Committee and College Council are beginning to fill these past-due requests. As of this writing, approximately \$1.6 million has been released toward one-time program review and/or urgent and emerging needs requests for funding. Future revenue growth is still uncertain, along with collective bargaining proceedings underway, so there is caution/constraint on the approval of ongoing financial commitments to the general fund at this time. Priorities however, are identified and in place. SBVC continues the effort to fill vacancies (9.21, 9.31, 9.69, 9.70, 9.71).

Self-Evaluation

The institution meets the standard. While program and service needs have not been effectively met due to the state budget, the institution has assessed and successfully implemented prudent and effective use of financial resources and continues to do so.

Actionable Improvement Plan

None.



Evidence—Financial Resources

- 9.1 Government Finance Officers Association Award
- 9.2 Allocation Model 2013-2014 Final Budget Book
- 9.3 Board Directives 2013-2014
- 9.4 Board Directives for the 2014-2015 Budget
- 9.5 SBVC Budget Committee Request for District Assembly Approval August 29, 2013
- 9.6 Budget Committee Charge and Membership March 12, 2014
- 9.7 Budget Calendar
- 9.8 Developmental Budget Instruction Memo Revised March 4, 2014
- 9.9 Strategic Plan April 17, 2014 Draft
- 9.10 Campus Needs Funding Process—College Council Revised December 11, 2013
- 9.11 College Council Minutes December 11, 2013, Needs Funding Process Approval
- 9.12 AP2225
- 9.13 District Budget Committee
- 9.14 District Budget Committee Membership
- 9.15 Fiscal Year 2014 Final Budget Board Presentation—Final September 6, 2013
- 9.16 Open Forum March 25, 2014 Final
- 9.17 Opening Day spring President’s Address 2014 Final
- 9.18 Chancellor’s Chat Sample with Budget Information
- 9.19 Sample E-mail Distribution with Budget Information
- 9.20 District Budget Committee Minutes May 5, 2008
- 9.21 Representative Samples—Fund Balance Report
- 9.22 Board of Trustees Meeting Minutes May 8, 2014
- 9.23 General Fund Cash-Flow Analysis
- 9.24 Quarterly Investment and Deposit Report
- 9.25 Representative Minutes—Board of Trustees
- 9.26 Resource Allocation Model Guiding Principles from 2010 Development
- 9.27 College Brain Trust—SBCCD Resource Allocation and Utilization Review
- 9.28 College Brain Trust—SBCCD PowerPoint February 13, 2014
- 9.29 District Budget Committee March 6, 2014 Minutes
- 9.30 District Budget Committee Response to the College Brain Trust Recommendations
- 9.31 SBVC Budget Committee Minutes March 26, 2014
- 9.32 College Council Minutes April 3, 2014
- 9.33 Scheduled Maintenance Plan
- 9.34 Facilities Master Plan
- 9.35 Measure M Prioritization 2013
- 9.36 Request for Funding Form
- 9.37 SBVC Planning Model
- 9.38 Board Policies and Administrative Procedures Chapter 6
- 9.39 2013-2014 Final Budget Book
- 9.40 Representative Minutes—Campus Committees
- 9.41 SBVC Budget Committee Minutes Sample 2013-2014
- 9.42 Budget Transfer Approval Sample
- 9.43 Budget Adjustment Sample
- 9.44 Representative Samples—Budget Adjustment
- 9.45 2012-2013 Audit Report—SBCCD

- 9.46 2011-2012 Independent Audit Report
- 9.47 SBCCD Audit Report 2011
- 9.48 2012-2013 Citizens Bond Oversight Committee Annual Report
- 9.49 SBVC Foundation Executive Board
- 9.50 SBVC Foundation Audit Report
- 9.51 SBVC Foundation Website
- 9.52 Statewide Association of Community Colleges Insurance Program and Coverage Threshold
- 9.53 Environmental Health and Safety
- 9.54 Office of Emergency Preparedness
- 9.55 Minutes of District Assembly May 6, 2014
- 9.56 Representative Minutes Reflecting Need for Update of Policy
- 9.57 Minutes of Chancellor’s Cabinet April 30, 2014
- 9.58 Chancellor’s Letter to Board of Trustees Regarding 2013-2014 Budget
- 9.59 One-Time Special Funding Allocation Chart 2014
- 9.60 Funding Request Form for Special One-Time Allocation spring 2014
- 9.61 Enrollment Plan
- 9.62 Student Default Rates, Perkins Loan Program
- 9.63 November 14, 2013 Measure M Program Implementation Plan
- 9.64 Elevator Service Agreement Sample
- 9.65 Contract Cover Sheet Online Submittal
- 9.66 Contracts Process for Submission Handbook
- 9.67 Board of Trustees Agenda Item Approval of Routine Contracts Sample
- 9.68 Board of Trustees Meeting May 8, 2014—Approval of Contract Sample
- 9.69 Program Review Needs Prioritized December 2013
- 9.70 Program Review Needs College Council Approved April 16, 2014
- 9.71 College Council April 16, 2014 Minutes Review and Approval of Review Needs
- 9.72 ACCJC Annual Fiscal Report—SBVC
- 9.73 Educational Master Plan 2010
- 9.74 SBVC Campus Technology Strategic Plan 2013-2016
- 9.75 Professional Development Plan