

Standard IIID: Financial Resources

IIID1. Financial resources are sufficient to support and sustain student learning programs and services and improve institutional effectiveness. The distribution of resources supports the development, maintenance, allocation and reallocation, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability.

Evidence of Meeting the Standard

The NOCCCD's financial resources are managed at the District Office, Cypress College, Fullerton College, and North Orange Continuing Education (NOCE) by professional staff who adhere to Board Policies and Administrative Procedures and follow generally accepted accounting practices. *NOCCCD Board Policies and Administrative Procedures 6100- Delegation of Authority, Business, and Fiscal Affairs* (IIID1.1), *BP 6200- Budget Preparation* (IIID1.2), *BP/AP 6250-Budget Management* (IIID1.3a; IIID3.3b) and *BP/AP 6300- Fiscal Management* (IIID1.4a; IIID1.4b) serve as the primary policies that guide and regulate overall financial resources and allocation. Other policies and procedures, including *NOCCCD Board Policy and Administrative Procedures 6400-Financial Audits* (IIID1.5a; IIID1.5b) *BP 6500- Property Management* (IIID1.6), and *BP/AP 6740- Citizen's Oversight Committee* (IIID1.7a; IIID1.7b) among others, regulate specific aspects of District and College financial processes.

In order to determine the sufficient resources necessary to sustain student learning programs and services, each year the District Office, Cypress College, Fullerton College, and the NOCE conduct Program/Quality reviews (IIID1.8a - F and F Admin. Review; IIID1.8b - ACR Program Review) to prioritize spending, hold consultative meetings to review and approve budget assumptions (IIID1.9 – DCC Summary, August 2016), develop detailed budgets through the Banner position control module and non-position budgets (IIID1.10- Banner Report), allocate funds in accordance with the *Budget Allocation Handbook (BAH)* (IIID1.11), and finally produce a detailed Proposed Budget and Financial Report for Board approval (IIID1.12 - Proposed Budget 2015/16). Once established, the budget is monitored and discussed at Budget Officers meetings (IIID1.13 – Budget Officer Agenda), reported quarterly to the Board of Trustees (IIID1.14 – BOT Minutes November 2016), submitted to the State Chancellor's Office (IIID1.15a- State Budget Report; IIID1.15b - Quarterly Report), and audited at year-end by an outside accounting firm (IIID1.16 - Audit Report 2016).

The budget provides sufficient resources for courses (including distance education courses), programs, and services, with the exception of the Extended Day budget which has not met the Colleges' needs and is supplemented with local monies. The NOCCCD has traditionally managed resources efficiently such that the District has maintained a healthy carryover fund each year as illustrated in the matrix below.

Unrestricted General Fund- Fund Balances

	Unrestricted	Total Expenditures	% of Expenditures
2015/16	\$ 48,373,784	\$ 194,864,258	25.11%
2014/15	\$ 42,057,784	\$ 170,774,281	24.63%
2013/14	\$ 43,698,857	\$ 160,353,104	27.25%
2012/13	\$ 42,192,158	\$ 156,512,817	26.96%
2011/12	\$ 46,862,666	\$ 153,081,500	30.61%
2010/11	\$ 46,427,440	\$ 162,015,799	28.66%

Note: Information from CCFS-311Q reports submitted to the State Chancellor's Office (IID1.15)

Financial resources are allocated to the two colleges and NOCE in accordance with the *BAH* which is regularly reviewed and updated (IID1.11-BAH). Cypress College uses Program/Quality Review for departments to assess their needs and request funding for new projects. The District conducts an annual Administrative Review to ascertain whether new funding is needed to fulfill needs. A detailed Proposed Budget /Financial Report is published by the District each year that specifies not only the allocation of financial resources for spending but also the designation of other funds to be used in future fiscal periods (IID1.12 - Proposed Budget 15/16). Additionally in 2016, the District held about \$152.9 million in other funds for retiree health benefits amounting to \$70.5 million, self-insurance \$26.9 million and capital projects for \$55.5million (IID1.17 – GL220).

Another indication of the District’s commitment to future financial stability is the designation of all of the recent Base Augmentation funding for STRS and PERS rate increases over the next several years (IID1.18 – BOT Base Augmentation). By designating the entire augmentation, the District should have sufficient resources to cover the anticipated increases through FY2025. In fiscal year 2016, the District set up a GASB-compliant OPEB irrevocable trust to fund retiree health benefits and established a Retirement Board of Authority to oversee the investments in the trust (IID1.19 – OPEB Trust). An MOU was recently negotiated with the labor groups to move the \$70 million in retiree health benefits into the irrevocable trust (IID1.20 - MOU).

Educational improvement and innovation are District priorities, and therefore it allocates sufficient resources for these. Specifically, the District encourages innovation and strategic planning through separate funds and project selection processes (IID1.21 – District Planning Webpage). Beyond these specific programs, educational improvements and innovation are undertaken as part of the overall program review process and budget allocation process. In addition, the District allocates \$300,000 towards staff support development as a means of encouraging staff to seek ways to improve efficiency (IID1.22-Proposed Budget 16/17, p. 60).

In 2002 and again in 2014, District voters approved significant bond measures for the improvement and expansion of educational facilities. Additional controls have been implemented to monitor expenditures related to these bond funded programs (IID1.23a - Measure X Oversight; IID1.23b - Measure J Oversight).

Once resources are allocated to the colleges/NOCE, the institutions are responsible for the management of local funds. Cypress College is committed to the principle that financial planning and budget development is part of the institutional planning process. The financial planning and budget development process adheres to the vision, mission, core values, priorities, and goals of the College. The College adheres to state and federal mandated reporting and accounting procedures keeping with ensuring the financial stability and integrity of the College (IID1.4a- BP 6300).

All campus categorical budgets are directly linked to the Directions outlined in the Strategic Plan (IID1.24 – One-Time Funding Request grid). The Planning and Budget Committee (PBC), which is a college-wide shared-governance committee, serves as the primary recommending body to the President’s Advisory Cabinet (PAC) on general planning and budget issues for the campus and conveys to PAC the positions of the campus constituencies on significant matters relevant to both planning and budget for the College (IID1.25 -PBC Guidelines). Financial decisions are discussed publicly in the above shared governance committees. Also, available resources for decision-making are reviewed each year at the Fall Opening Day College Update (IID1.26 – Opening Day Agenda).

The College manages the resources allocated in four fundamental ways: personnel, operational needs, critical needs, or special opportunities. Every three years a process for prioritizing the college-wide need for classified staff is conducted. This prioritization serves as a guide for hiring as ongoing funds become available. The process is overseen by PBC and then a recommended priority list is forwarded to PAC. Expenditures for full-time faculty have an established process as well. An annual faculty position prioritization takes place with Deans and Academic Senate representatives creating a list that is recommended to PBC and PAC. Adjunct faculty needs are determined at the department level and partially fulfilled through the District Extended-Day Funding Model. Over the past three years, the College’s Extended Day budget has run at a deficit in excess of \$1.5 million and has been growing each year. The College has been responsible for ensuring that the necessary courses are offered by utilizing local funding to produce FTES (IID1.12- Proposed Budget 15/16, p. 55 - 56). Management positions are filled on an ad hoc basis, usually in response to changes occurring at the College (IID1.27 - Simpson email).

There are several opportunities for requesting funds, which are set aside to meet critical needs of College programs and services. The most comprehensive budget allocation process involves an annual campus wide One-Time Funding Request process (IID1.28 – One Time Funding Process). Criteria established to rank the requests include

- Supports College Mission, *Educational Master Plan*, Student Services Master Plan, and *Strategic Plan*
- Growth of program and/or work area
- Quality of program and/or work area
- Demonstrated need within the Budget Unit
- Support of health/safety/security issues

Each spring the multiple requests for funding are prioritized, and funding is attached after consideration of all possible sources (categorical, grants, carryover funds). After several years of reduced State Budgets, when only the most critical items could be funded, the College was only able to fund high risk safety concerns or items with an immediate impact to instruction. For 2014/2015 and 2015/2016, with the restoration of many sources of state categorical funding, almost all the requests submitted were ultimately attached to funding. Aside from this process there are a number of program requests, which are considered by PBC to be ongoing high priorities and are funded as “Advance Funding Programs” ahead of the priority process (IIID1.12 - Proposed Budget Report 15/16, p. 55). These programs include Professional Development, Diversity Program, Computer Replacement Plan, and SLO Development (IIID1.29 – SLO Development Document). The College also sets aside \$750,000 each year in contingency funds for unanticipated emergencies and opportunities. Examples of how these funds are used include emergency facility issues or opportunities for student advancement in athletic or academic competitions. Any campus department may submit a request for funding to PBC for emergencies via an emergency request form (IIID1.30 – Emergency Funding Request).

Annual budgets include the funds necessary to support other expenses such as capital outlay, scheduled maintenance plans, and unfunded retiree health liabilities (District), as well as required college matches for grant, and categorical programs (College). All budget allocations align with the College and NOCCCD Mission Statements.



Baccalaureate Degree The California Community Colleges Chancellor’s Office provided each pilot college with \$350,000 to initiate the baccalaureate degree in their respective districts and enacted upper division enrollment fees to offset the increased cost of offering bachelor-level courses (IIID1.31 – SDCC Press Release). It is anticipated that the increased enrollment fees will partially offset the costs of delivering instruction, and after the pilot programs’ report to the legislature in 2018, additional budgetary concessions will provide more funding to allow for expansion (IIID1.32- CCCCCO Press Release).

Analysis and Evaluation

The College and District do not meet the Standard and Eligibility Requirement 18.

Currently, NOCCCD and Cypress College financial resources are sufficient to support student learning programs and services and improve institutional effectiveness. The College sets student learning, services, and effectiveness as the highest priority in funding decisions. In accordance with established District policies and procedures as well as College processes and practices the allocation of resources is appropriately balanced between new development, maintenance, allocation, reallocation, and the goal of making the greatest impact on the student experience as prescribed in the *Strategic Plans* and Missions. Both NOCCCD and Cypress College have processes designed to plan and manage financial affairs with integrity and in a manner that ensures financial stability.

While meeting most of the standard, the College’s ability to *sustain* the learning programs and services is in question. For the past three years, the Extended Day (ED) budget allocation used to provide resources for adjunct faculty and faculty overload and reassigned time expenditures

has been insufficient to cover the expenses of the courses offered and thus perpetuated significant annual deficits borne by the colleges.

Extended Day Budget - Ending Balances by Site

	2013-14	2014-15	2015-16
Cypress College	-\$970,757.00	-\$1,120,218.00	-\$1,479,790.00
Fullerton College	-\$2,923,083.00	-\$3,638,653.00	-\$2,099,780.00
NOCE	-\$922,028.00	-\$513,639.00	-\$138,900.00

(IID1. 33- Evidence?)

Cypress College has relied on carry-over funds and locally generated revenues not allocated by the District to meet FTES goals and provide instruction. These carryover balances have seen dramatic decreases over the past three years.

Cypress College Diminishing Carryover Balances

2013-14	\$ 8,504,587	(IID1.34 Proposed Budget 14/15, p. 10)
2014-15	\$ 5,833,148	(IID1.12- Proposed Budget 15/16, p. 20)
2015-16	\$ 2,334,909	(IID1.35- Proposed Budget 16/17, p. 24)

If left unchecked, these decreases have the potential to significantly impact the sustainability of funding extended day courses which, in turn, impacts the sustainability of the College. Thus far, the College has taken steps to cover the deficits and continue to offer the necessary courses. First, the College utilizes locally generated revenue in the form of bookstore, food service and swap meet business partnerships. However, the sustainability problem is further exacerbated by the nature of the business relationships upon which the College relies for its locally generated revenue. These income sources are impacted by market and economy fluctuations and are thus a potentially unsustainable funding source. The College negotiates five-year contracts with the Swap Meet, Bookstore, and Food Services to share in their revenues. As consumer-based businesses, they are subject to economic instabilities and are thus not stable or reliable revenue streams for the College. Should any of these private businesses fail or decide to “close up shop,” the College would face catastrophic losses in income. The lack of stability and reliability of revenue further illustrates why the current funding model is not viable or sustainable into the future.

Second, in anticipation of the need to cover the deficit, the College exercises cost controls where possible which impacts decisions regarding funding decisions across campus. For example, Classified and Manager hiring decisions and workload implications are impacted. Despite the economic recovery from the collapse in 2008, Classified personnel numbers have not been restored to pre-2008 levels despite losing numerous employees during that timeframe. The College and District were able to avoid layoffs from 2008-2015 by managing resources effectively and not filling vacancies left by retirements and other personnel changes. While faculty positions began to be restored in 2015, Classified and management positions have not recovered at the same rate (IID1.36 - Rod evidence to be provided?). Classified employee workloads have increased to cover the deficits in personnel, which has impacts ranging from performance to morale. On the Administration side, two deans on campus continue to have dual

service areas, Student Services/PE and Athletics, and Counseling and Student Development/Admissions and Records (IIID1.37 - Organizational Chart). While the College acknowledges that such funding decisions may not be solely or directly impacted by the ED budget deficits, the indirect impacts are equally significant to the overall culture and mindset of the campus as a whole.

The impact of the Extended Day budget deficit will have significant future implications for the financial stability of the College. Relying on local funding to ensure that the necessary courses are offered has already impacted the College's ability to continue to improve student success. The response to the deficit has impacted the College's funding prioritization decisions which impact the ability to provide the resources to support other necessary programs designed to promote student learning and achievement such as Distance Education, computer replacement, and the programs in the Learning Resource Center (IIID1.12 – Proposed Budget15/16, p. 56; IIID1.38 - Emergencies Spreadsheet). While not yet significantly impacting learning outcomes thus far, long-term sustainability is not possible. As the College depletes the carryover funds to cover the ED deficit, those monies are not available to fund other necessary learning programs and services, which will ultimately impact the College's ability to engage in on-going improvement.

As a result of the Self Evaluation, the issue of Extended Day budget deficits has been a topic of discussion at recent Vice Presidents' Council meetings (IIID1.39 –VPC Meeting Agenda, January 2017) and will be discussed at Chancellor's Staff and the District Enrollment Management Advisory Committee in the future (IIID1.40 - Li-Bugg email). The College has presented evidence of the significant impact the ED deficit has had on its ability to serve students. The Chancellor and responsible Vice Chancellors are aware of the College's concerns and are committed to re-evaluation of the budget model going forward. The District has implemented a District Enrollment Management Advisory Committee to address a number of issues related to support of student enrollment and student success. These include:

- Revisions to the current funding model to provide adequate resources
- Potential increases in productivity
- Modification of the Faculty Obligation Number (FON)
- Best practices in scheduling
- Appropriate mix of academic and career/technical education classes
- Need for parity in salary and benefits

While very encouraged by the recent conversations between the College and the District regarding the Extended Day deficits, the College is mindful of the time intensive nature of complex problem-solving and is concerned about the urgency of this matter. The College and District need to prioritize the solution to the ED deficit before the colleges deplete their auxiliary funding sources completely. Therefore, in anticipation of these impacts and in an effort to proactively respond to these concerns, the College is attempting to address this issue through QFE #3 – Extended Day Funding Model.

Evidence

IIID1.1 – NOCCCD Board Policy 6100 - Delegation of Authority, Business, and Fiscal Affairs

IIID1.2 – NOCCCD Board Policy 6200 - Budget Preparation
IIID1.3a – NOCCCD Board Policy 6250 - Budget Management
IIID1.3b – NOCCCD Administrative Procedure 6250 - Budget Management
IIID1.4a – NOCCCD Board Policy 6300 - Fiscal Management
IIID1.4b – NOCCCD Administrative Procedure 6300 - Fiscal Management
IIID1.5a – NOCCCD Board Policy 6400 - Financial Audits
IIID1.5b – NOCCCD Administrative Procedure 6400 - Financial Audits
IIID1.6 – NOCCCD Board Policy 6500 - Property Management
IIID1.7a – NOCCCD Board Policy Citizen’s Oversight Committee
IIID1.7b – NOCCCD Administrative Procedure 6740 - Citizen’s Oversight Committee
IIID1.8a – NOCCCD Finance and Facilities Administrative Review 2017
IIID1.8b – Air Conditioning a Refrigeration Program Review 2016
IIID1.9 – District Consultation Council Summary, August 22, 2016
IIID1.10 – Banner Position Control report
IIID1.11 – NOCCCD Budget Allocation Handbook 2013
IIID1.12 – Proposed Budget and Financial Report 2015-2016
IIID1.13 – Budget Officers meeting agenda, Sept. 27, 2016
IIID1.14 – NOCCCD Board of Trustees Minutes, November 8, 2016
IIID1.15a – CCFS-311 Financial and Budget Report
IIID1.15b – Quarterly CCFS-311Q
IIID1.16 – NOCCCD Audit Report 2016
IIID1.17 – NOCCCD GL 220 Balance Sheet June 30, 2016
IIID1.18 – NOCCCD BOT Minutes -Base Augmentation for STRS/PERS, May 10, 2016
IIID1.19 – NOCCCD Retirement Board webpage
IIID1.20 – MOU – NOCCCD, CSEA and United Faculty
IIID1.21 – NOCCCD Planning Webpage
IIID1.22 – Proposed Budget and Financial Report 2016-2017
IIID1.23a – NOCCCD Measure X Oversight webpage
IIID1.23b – NOCCCD Measure J Oversight webpage
IIID1.24 – One-time Funding Requests grid
IIID1.25 – Planning and Budget Committee Guidelines
IIID1.26 – Opening Day Agenda – August 21, 2015
IIID1.27 – Dr. Robert Simpson, President email- Management Positions
IIID1.28 – One-Time Funding Request Process
IIID1.29 – SLO Development document
IIID1.30 – Emergency Funding Request Form
IIID1.31 – San Diego Community College District Marty Block Press Release
IIID1.32 – California Community College Chancellor’s Office BDPP Press Release
IIID1.33 – awaiting annual ED Deficits evidence
IIID1.34 – Proposed Budget and Financial Report 2014-2015
IIID1.35 – Proposed Budget and Financial Report 2016-2017
IIID1.36 – awaiting Rod’s evidence
IIID1.37 – Cypress College Organizational Chart 2016-17
IIID1.38 – Emergencies Spreadsheet FY 2016
IIID1.39 – Vice President’s Council Meeting Agenda, January 2017
IIID1.40 – Cherry Li-Bugg, Vice Chancellor, Educational Services and Technology, email

IIID2. The Institution’s mission and goals are the foundation for financial planning, and financial planning is integrated with and supports all institutional planning. The institution has policies and procedures to ensure sound financial practices and financial stability. Appropriate financial information is disseminated throughout the institution in a timely manner.

Evidence of Meeting the Standard

Cypress College engages in financial planning and decision-making in accordance with the College mission and the goals set forth in two planning documents, the *Educational Master Plan (EMP)*, and *Strategic Plan (SP)*. These institutional planning documents establish priorities among competing needs in order to predict future funding. The *EMP* is the ten-year planning guide that identifies long term College projects with goals for specific departments and student service areas (IIID2.1- EMP). The *SP* is the three-year roadmap that identifies plans designed to accomplish the goals laid out in the *EMP* (IIID2.2- SP). The financial resources and planning necessary to achieve these goals are an integral part of the planning process. Departments use their Program (PR) and Quality Reviews (QR) to identify their own goals and objectives related to student success, organizational excellence, and relations with the community (IIID2.3 – AC-R PR, p. 7) plus the fiscal resources necessary to achieve them.

The EMP Diagram (IIID2.1 – EMP, p. 2) illustrates how five plans: Student Services Plan (IIID2.4), Student Success and Support Program (SSSP) Plan (IIID2.5), Student Equity Plan (IIID2.6), Technology Plan (IIID2.7), and Facilities Plan (IIID2.8 – Facilities Plan) work together to achieve the goals set forth in the EMP and SP. The annual Planning and Budget Process (IIID2.9- BAH, p 4), which funds Classified Needs, Faculty Needs, Facilities Projects, and One-Time Budget Allocations, is linked to the planning documents of the various areas across campus (IIID2.10 - One Time Funding Allocations).

In addition, Cypress College departments and programs undergo regular PR/QR to assess the progress made towards the pursuit of identified goals. The PR/QR includes an assessment of past stated goals and objectives. The assessment process relates past resource allocation in a department or program with progress made. PR must connect department goals and expenses to institutional plans like the EMP and *Strategic Plan* (IIID2.3 – AC-R PR). Further, programs may request additional resources for special programs or services through the One-Time Funding process or Strategic Plan/Institutional Set Standards (SP/ISS) funds. These funding requests must contain links to SP directions as well as expected outcomes (IIID2.11 - One-Time Funding Template). Assessment data is used to evaluate the results of the programs: for example, the SP/ISS fund requires Year-End Report (IIID2.12 – Guardian Scholar Year-End Report).

NOCCCD and Cypress College adhere to the District Policies and Procedures (see Standard IIID1) established by the District to ensure financial stability. The District’s unrestricted general fund reserves are no less than 5% of unrestricted general fund expenditures. Revenues accruing to the District in excess of amounts budgeted are added to the District’s reserve for contingencies. They are available for appropriation only upon a resolution of the Board that sets

forth the need according to major budget classifications in accordance with applicable law (IID2.13 - BP 6250).

The NOCCCD budget model recognizes four “budget centers” for the purpose of budget allocation and expenditure: District Services, Cypress College, Fullerton College, and North Orange Continuing Education (NOCE) (IID2.9 - Budget Allocation Handbook 2013). Cypress College receives approximately 32% of State FTES funding allocated to the instructional sites (IID2.14 - BAM Power Point). For a detailed discussion of FTES funding, see the Proposed Budget (IID2.15 - Proposed Budget 15/16, p. 17-18).

NOCCCD has not experienced cash flow issues despite occasional delayed allocations from the State. Additionally, Cypress College has adequate resources to maintain business transactions without interruption; therefore, NOCCCD has not needed loans or Certificates of Participation (COPS) (IID2.16 – 311Q Cash Balance Report).

Cypress College also has sound financial practices and procedures. The ongoing planning of the College works to ensure the long-term financial health and stability of the College. As a result, the College has been able to meet its all current obligations. The ending fund balance for Cypress College’s immediate past three years is the following:

- 2015/16 - \$2,334,909 (IID2.17- Proposed Budget 16/17, p. 24)
- 2014/15 - \$5,833,148 (IID2.15- Proposed Budget 15/16, p. 20)
- 2013/14 - \$8,504,587 (IID2.18 Proposed Budget 14/15, p. 10)

The campus also sets aside \$750,000 each year to address unanticipated emergencies. Thus far, the fund has been adequate for emergency needs (IID2.19- Emergencies Spreadsheet). There are also locally generated funds at the College, such as Swap Meet revenue, Food Services revenue, grants, donors, and fundraisers that are used to meet the needs of the students (IID2.20 – Ext. Day Percentage Spreadsheet).

The District utilizes two shared governance decision-making groups, District Consultation Council (DCC) and District Council on Budget and Facilities (CBF), to ensure financial stability and sound financial practice, and to communicate financial information in a timely manner. The DCC consists of the Chancellor, Vice-Chancellors, Cypress and Fullerton College Presidents, the Provost from SCE, as well as leaders of constituency groups such as Academic Senate Presidents, CSEA and UF Presidents, and Student President and Trustee (IID2.21 - DRM). The members of the CBF are Vice Chancellor, Finance and Facilities; District Director, Fiscal Affairs; VP of Administrative Services – CC and FC; Manager, Administrative Services – NOCE; Vice Chancellor, Human Resources; one faculty from each site appointed by the Academic/Faculty Senate – CC, FC, and NOCE; two representatives appointed by CSEA; United Faculty Representative; Adjunct Faculty United Representative; District Management Association Representative; Confidential Employees Group Representative; and one student from each site appointed by Associated Students – CC and FC (IID2.18 - NOCCCD Budget 14/15, p. 40).

These groups work together to ensure the financial health of the District and colleges. Further, members of DCC and CBF are expected to disseminate financial information to relevant parties

on their respective campuses. The District also posts its annual Proposed Budget and Financial Report on its NOCCCD website (IID2.22 - Budget Documents Webpage), which clearly delineates expenditures and connects them to the District Strategic Plan Directions (IID2.15 - NOCCCD Budget 15/16, p.38). Finally, financial information is distributed through many processes, such as the Budget Allocation Model Forums hosted at each campus (IID2.14 - BAM PowerPoint; IID2.23 - BAM Forum 2017 flyer) and the public hearing of the proposed budget at the Board of Trustees meeting (IID2.24 - BOT Minutes, Sept. 2016).

While the College has been thus far able to meet current financial obligations, the ability to sustain this effort is uncertain. For the past three years the College’s ending balance has experienced significant decreases which are primarily attributed to the deficits in the Extended Day Funding budget.

Extended Day Budget - Ending Balances by Site

	2013-14	2014-15	2015-16
Cypress College	-\$970,757.00	-\$1,120,218.00	-\$1,479,790.00
Fullerton College	-\$2,923,083.00	-\$3,638,653.00	-\$2,099,780.00
NOCE	-\$922,028.00	-\$513,639.00	-\$138,900.00

(IID2. 25- Evidence?)

Cypress College has relied on the previously described carry-over funds and locally generated revenues not allocated by the District to meet FTES goals and provide instruction. These carryover balances have seen dramatic decreases over the past three years. Since 2013-14 the College ending balance has seen a steady decline from \$8.5 million to \$2.3 million (IID2.17- Proposed Budget 16/17, p. 24; IID2.15- Proposed Budget 15/16, p. 20; IID2.18 Proposed Budget 14/15, p. 10)

Analysis and Evaluation

The College meets the Standard. Cypress College’s mission and goals are the foundation for the College’s financial planning. Guided by the College major planning documents, EMP and SP, financial planning is integrated with and supports all institutional planning. As part of the budget allocation process, the College aims to link budget allocations and funding to Program and Quality Reviews and other College planning documents. The College has policies and procedures that work to ensure sound financial practices and financial stability. Funding requests must be linked to the College’s Strategic Directions, and assessments of meeting anticipated goals and outcomes are an intrinsic element of the funding process. Through the District shared governance groups DCC and CBF, the District also works to ensure broad participation of all constituency groups in order to ensure sound practices and oversight. In addition, appropriate financial information is disseminated throughout the college by campus representatives on DCC and CBF. The District also posts budget and financial information on the District website.

Evidence Sources

IID2.1 – Cypress College Educational Master Plan 2006-2016

IIID2.2 – Cypress College Strategic Plan 2014-2017
IIID2.3 – Air-Conditioning and Refrigeration Program Review 2016
IIID2.4 – Cypress College Student Services Master Plan 2007-14
IIID2.5 – Cypress College Student Success and Support Program Plan
IIID2.6 – Cypress College Student Equity Plan 2015
IIID2.7 – Cypress College Technology Plan 2013-2015
IIID2.8 – Facilities Master Plan
IIID2.9 – Budget Allocation Handbook 2013
IIID2.10 – One-Time Funding Allocations from FY 15-16
IIID2.11 – One-Time Funding Template
IIID2.12 – Guardian Scholar Year End Report
IIID2.13 – NOCCCD Board Policy 6250 Budget Management
IIID2.14 – NOCCCD Budget Allocation Model 2016 PowerPoint presentation
IIID2.15 – NOCCCD Proposed Budget and Financial Report 2015-2016
IIID2.16 – 311Q Cash Balance Report 2015-16
IIID2.17 – NOCCCD Proposed Budget and Financial Report 2016-2017
IIID2.18 – NOCCCD Proposed Budget and Financial Report 2014-2015
IIID2.19 – Emergencies Spreadsheet FY 16
IIID2.20 – Cypress College Extended Day Budget split spreadsheet
IIID2.21 – NOCCCD Decision – Making Resource Manual: Structure, Function and Alignment
IIID2.22 – NOCCCD Budget Documents webpage
IIID2.23 – Budget Model Forum 2017 flyer
IIID2.24 – NOCCCD Board Meeting Minutes, September 13, 2016
IIID2.25 – awaiting ED Deficit evidence

IIID3. 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.

Evidence of Meeting the Standard

Financial planning and budget development begins at the District level according to *NOCCCD Board Policies 6200-Budget Preparation* and *6250-Budget Management* (IIID3.1a - BP 6200; IIID3.1b - BP 6250). A schedule referred to as a Budget Calendar is provided to the Board of Trustees by October 15th of each year. The schedule includes dates for presentation of the tentative budget, required public hearings, Board study sessions, and approval of the final budget. At the public hearings, interested persons may appear and address the Board, regarding the proposed budget or any item in the proposed budget (IIID3.1a – BP 6200).

The District follows a process laid out in the *NOCCCD Budget Allocation Handbook* (BAH) utilizing the aforementioned timeline in order to allocate funds to each of the budget centers (IIID3.2 – BAH). Constituency groups are represented in both District planning and budgeting groups, District Consultation Council (DCC) and the Council on Budget and Facilities (CBF), as previously described (See Standard IIID2), and have the opportunity to participate directly in the budget planning and development process. In addition to making recommendations related to NOCCCD fiscal resources and facilities, the CBF monitors NOCCCD's fiscal solvency, reviews

and revises budget assumptions, reviews and shares information on the state budget including capital outlay funds, and reviews the draft budget in its developmental stages. Members of the CBF include administrative personnel, but most importantly, include full and part-time faculty representation, classified and confidential employee representation, as well as student representation (IIID3.2 – BAH, p. 4). This helps to ensure constituent representation and participation in financial planning and budget development.

Once Cypress College receives those funds, it follows established guidelines and processes to develop its own institutional plans and budget with participation from all constituency groups through the shared governance process. The shared governance process at the campus begins with the Planning and Budget Committee (PBC) which serves as the primary recommending body to the President’s Advisory Cabinet (PAC) on general budget and planning issues. The purpose of PBC is to convey to PAC the views of the campus community on matters relevant to both budget and planning for the College. All actions of PBC are then communicated to its constituencies in the form of minutes which include full discussion, including the intent of PBC. Constituency groups include administrators, faculty, classified staff, and students (IIIDE3.3 – PBC Guidelines).

PAC serves as the primary recommending body to the College President on the establishment of campus policies and procedures, and general college issues within the scope of PAC include its role as final advisory and planning body for the College President. PAC also includes administrators, faculty, classified staff, a Confidential representative, and students (IIID3.4 – PAC guidelines). These two shared governance groups work together in the areas of financial planning and budget development on behalf of the College.

Analysis and Evaluation

The College and District meet the Standard. Cypress College and NOCCCD clearly define and follow established Board policies and campus guidelines and processes for financial planning and budget development. As members of the District (DCC and CBF) and College (PBC and PAC) decision-making groups, all constituencies have appropriate opportunities to participate in the development of institutional plans and budgets.

While meeting the Standard, both the College and District would benefit from increased participation in the budget decision-making processes. Constituency groups have representation on the major decision-making groups; however, their “participation” is often informative in nature as opposed to collaborative. In other words, decisions that have been made are presented to members of the committees as a *fait accompli*, with little opportunity to make changes or participate in the process. Both the District and College would benefit from increased collaboration and solicitation of input from constituency groups as an intrinsic element of the decision-making processes used.

Evidence Sources

- IIID3.1a – NOCCCD Board Policy 6200 - Budget Preparation
- IIID3.1b – NOCCCD Board Policy 6250 - Budget Management
- IIID3.2 – Budget Allocation Handbook 2013 (April 2013 Update)
- IIID3.3 – Cypress College Planning and Budget Committee Guidelines

IIID3.4 – Cypress College President Advisory Cabinet Guidelines

IIID4. Institutional planning reflects a realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements.

Evidence of Meeting This Standard

The NOCCCD and Cypress College engage in on-going planning based on realistic expectations of resources. The District and College routinely monitor state budget developments in anticipation of potential changes. The *NOCCCD Budget Allocation Handbook 2013* (BAH) (IIID4.1) contains a timeline and process for budget development which provides an overview of the steps undertaken to assess resource availability and budget development.

In January, the Board of Trustees reviews the Governor’s January Budget and affirms that the District Strategic Directions are the NOCCCD priorities for the coming fiscal year. The District Consultation Council (DCC) reviews the *District-wide Strategic Plan* and proposed allocations for the District Strategic Plan Fund. Budget Officers draft budget assumptions and forward them to the Council on Budget & Facilities (CBF). On a monthly cycle, budget assumptions are revised, as needed, based upon new information and updates. During the months of July and August, the Vice Chancellor of Finance & Facilities and District Director of Fiscal Affairs review state budget changes and incorporate those changes into the Proposed Budget assumptions (IIID4.1 - BAH, p. 5).

Consistent with *NOCCCD Board Policy 1001-District Mission, Vision & Values Statements* (IIID4.2), NOCCCD has established funding priorities in a manner that helps the District achieve its mission and goals. Codified in the *2011 NOCCCD Comprehensive Master Plan* (CMP) (IIID4.3), the District Strategic Directions are intended to serve as a guide for the District’s decision-making and use of resources for the next five years. These strategic directions focus on completion, the Achievement Gap, basic skills, planning and decision-making, and partnerships.

In order to maintain a realistic assessment of financial resources, the District engages in ongoing oversight. All funds designated as District Funds (e.g. General Fund, Capital Outlay, Bond, Self-Insurance, Retiree Benefits, Grants, and Financial Aid) are dually maintained within Banner and the Orange County Department of Education (OCDE). Additionally, the Board of Trustees ratifies all contracts, personnel hiring, and purchase orders (IIID4.4a - BP 6330; IIID4.4b - BP 6340). Finally, the CCFS-311Q report is submitted to the Board of Trustees, as required, for governing board review on a quarterly basis (IIID4.5a – BOT Meeting November 2016; IIID4.5b- 311Q Report).

The College receives tentative allocations for the coming fiscal year based on the Budget Allocation Model (BAM) and builds a site-specific tentative budget. In June, the tentative budget is presented to the Board of Trustees for approval. Budget Officers analyze year-end results and incorporate these results into local planning processes. In September, a final budget is presented to the Board of Trustees for approval. Discussions on these various topics are communicated in Board meetings and captured in the minutes of various meetings such as the

College Planning and Budget Committee (PBC) and President's Advisory Cabinet (PAC), as well as in District meetings of DCC and the CBF (IID4.1 – BAH, p. 5).

Cypress College's institutional planning integrates the realistic expectation of financial resources with the mission and goals of the *Strategic Plan*. The College has aligned its Strategic Directions A, B, and C with the District's stated directions above and has developed multiple goals to address and achieve various outcomes contained in the stated directions (IID4.6 - Proposed Budget 15/16, p. 38). Budgeting decisions regarding personnel, operations, and critical needs of the College are intrinsically linked to the Strategic Directions. Other funding sources such as One-Time Funding and the Strategic Plan/Institutional Set Standards Fund are also directly linked to planning. Direction committees prioritize the College's One-Time Funding requests, thereby aligning those budget allocations with strategic directions as well (IID4.7- SP). In anticipation of changes to funding, the College maintains healthy carryover funds each year. A significant portion of the College's carryover funds is used to address program needs, updating instructional equipment, library collections, technology upgrades, and tutors (IID4.6 - Proposed Budget 15/16, p. 56).

Approaches to generate revenue or reduce expenses locally are continually sought out. The College has worked to develop partnerships with local civic and business groups to help generate additional funding and fiscal resources. The College's Foundation works with organizations such as Forest Lawn, Toyota Corporation, Follett Corporation, and Union Bank to acquire additional funds to help meet the instructional needs of students (IID4.8 – Forest Lawn letter). The College works to develop additional financial resources by partnering with outside vendors. The result of that effort is the Swap Meet which generates \$1.7 million per year for discretionary use (IID4.9 - Swap Meet Audit). The Bookstore was also outsourced three years ago and has increased sales by \$1 million, resulting in commission to the College of nearly \$400,000 per year (IID4.10 - Follett Commissions). Additionally, the current contracts for Food Services and vending now generate approximately \$175,000 per year (IID4.11- YBH Commissions). The College also rents its unused instructional spaces to community groups and has leased rooftop space to two cell service providers (IID4.12a – Facilities Rental Agreement; IID4.12b – Cingular Contract; IID4.12c – Verizon Contract).

Analysis and Evaluation

The College and District meet the Standard. Cypress College institutional planning reflects a realistic assessment of financial resource availability. Available resources are reviewed with College and District committees in an inclusive, fiscally sound process of achieving funding goals with funding priorities centered on student learning. The College's EMP and SP are used as the guide for resource allocation. The fiscally conservative practices of both the District and the College have insured financial stability even during times of economic downturn. Long-term implications are considered even for shorter term decisions. The District has no Certificates of Participation. The financial position is regularly evaluated and then reported via the CCFS-311Q Report.

The College works to develop financial resources and partnerships with outside groups including Forest Lawn, Toyota Corporation, Follett Corporation, Union Bank, and other outside vendors to fulfill expenditure requirements necessary to meet the needs of students.

Evidence Sources

- IIID4.1 – NOCCCD Budget Allocation Handbook 2013
- IIID4.2 – NOCCCD Board Policy 1001 District Mission, Vision & Values Statements
- IIID4.3 – 2011 NOCCCD Comprehensive Master Plan
- IIID4.4a – NOCCCD Board Policy 6330 Purchasing/Warehouse
- IIID4.4b – NOCCCD Board Policy 6340 Bids and Contracts
- IIID4.5a – NOCCCD Board of Trustees Meeting minutes, November 8, 2016
- IIID4.5b – CCFS-311Q Financial Report
- IIID4.6 – Proposed Budget and Financial Report 2015-2016
- IIID4.7 – Cypress College 2014-17 Strategic Plan
- IIID4.8 – Forest Lawn Donation, Foundation letter
- IIID4.9 – Swap meet Audit Report
- IIID4.10 – Follett Commissions Statement 2016
- IIID4.11 – YBH Commissions Statement
- IIID4.12a – Cypress College Facilities Rental Agreement
- IIID4.12b – Cingular Cell Tower Rental Contract
- IIID4.12c – Verizon Cell Tower Rental Contract

IIID5. To assure the financial integrity of the institution and responsible use of its financial resources, the internal control structure has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision-making. The institution regularly evaluates its financial management practices and uses the results to improve internal control systems.

Evidence of Meeting the Standard

The NOCCCD and Cypress College work to ensure financial integrity in multiple ways. As discussed in the previous Standard (see IIID4), the NOCCCD Budget Allocation Handbook 2013 (BAH) outlines a timeline and process for budget development, which provides an overview of the steps undertaken to assess resource availability and budget development. By allocating equitably based on the resources available, the BAH is used as a control method of administering funds (IIID5.1- BAH). In addition, Board policies and procedures provide the appropriate control structures and mechanisms to ensure responsibility and integrity.

In the effort to implement effective internal controls, *NOCCCD Board Policy BP 6300 – Fiscal Management (IIID5.2)*, *BP 6330 – Purchasing and Warehouse (IIID5.3)*, and *BP 6340 – Contract Controls (IIID5.4)* address the need to maintain internal controls in the administration of District financial resources and are consistent with Title 5 section 58311, Education Code section 84040 (IIID5.2 – BP 6300). These policies encourage departments to develop internal procedures that delineate the need for separation of duties, regular reconciliation of financial

transactions, and maintenance of adequate supporting documentation. The District provides control guidelines at various levels, as necessary, to ensure controlled completion of a project (IID5.5 – Memo on Inventory Count).

In order to be transparent regarding how the allocation of funds are made, the Vice-Chancellor of Finance and Facilities and the District Director of Fiscal Affairs make an annual presentation on the college campuses of the Budget Allocation Model (BAM) utilized (IID5.6a- BAM Power Point; IID5.6b- BAM Forum). In addition to this presentation, discussions at weekly Chancellor's Staff and Council on Budget and Facilities (CBF) meetings allow staff to participate and discuss optimal ways to improve the equitable allocation of resources (IID5.7 – CBF Minutes & CS Agenda).

To further enhance internal controls, the District employs its own internal auditor who conducts regular internal audits, provides advice to management on financial control issues, and, as necessary, functions in a consulting capacity by assisting others in developing control procedures. The internal auditor utilizes a risk-based audit assessment program (IID5.8 – Risk Based Audit Methodology) to prioritize audits. Every effort is being made to anticipate a control weakness before it becomes a problem.

Annually, the District also engages an external audit firm to conduct a comprehensive audit of its financial statements as required by *NOCCCD Board Policy 6400 – Financial Audits* (IID5.9). For 2016/17 the District has engaged the services of Vavrinek, Trine, Day & Company to perform the audit of the annual financial statements. Auditors conduct a thorough audit of all District financial activity, issue an opinion as to the accuracy of the financial statements, and offer suggestions or findings on issues which may have been identified. Audited financial statements, compliance reports, and audit findings are promptly disseminated to the respective departments for their review and timely response (IID5.10a – Audit Recommendations 2011; IID5.10b - Cant email). The results are closely monitored for expedient action. After appropriate actions are taken by the College and/or District to ameliorate any issues identified, the result of the audit is presented formally to the Board of Trustees (IID5.11 – BOT Minutes, December 2016).

The annual financial audit is comprehensive, taking into account transactions at both the District and campuses as well as evaluating student information used for state funding. Any audit findings are directed first to the College and the appropriate institutional leadership, and a management response is requested within a reasonable time. When appropriate, subsequent collaboration between the College and District Fiscal Affairs on required changes are decided and implemented on a timely basis. In their last audit opinion, the auditors stated:

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (IID5.12 – Annual Audit Report).

The annual external audit reports are posted on the District website and submitted annually to ACCJC as required (IID5.13 - District Audit Webpage).

In addition to the annual District audits, Cypress College employs campus internal control structures to ensure financial integrity and appropriate financial management practices. The College utilizes three primary control mechanisms, Separation of Duties, Multiple Approvals, and Staff Rotation, to promote efficacy and integrity of financial practices.

First, the College utilizes a separation of duties structure that works to prevent opportunities for mismanagement or misappropriation. All College financial processes involve multiple employees who have different responsibilities and duties. This organizational structure serves to minimize the opportunity for a single person to complete an entire transaction independently. Further, the separation of duties decreases the chance of a single employee committing fraud (IID5.14 – separation of duties evidence).

Another control mechanism used to ensure fiscal integrity is the multiple approvals necessary to make financial decisions. Major financial expenditures require several layers of approvals before resources can be allocated. Required approvals vary based on the type of request made (IID5.15 - Sample approval queue). For example, requests made for amounts in excess of \$10,000 require additional approvals; those requests made after depletion of initial funding also require separate approvals. All computer related requests are subject to review and approval by College Academic Computing and District Information Services (IID5.16 – One-Time Funding Request).

Finally, Cypress College ensures ongoing fiscal integrity through the rotation of staff in key areas. Staff member assignments are rotated on a regular basis in areas such as the vault and bank reconciliations to prevent the opportunity for inappropriate action (IID5.17- Do email).

The VP of Administrative Services is responsible for the oversight of all College fiscal affairs and the timely dissemination of dependable information that may impact financial decisions of campus departments. The VP monitors the budgets and expenditures of all departments, which includes the key areas of Maintenance and Operations, Campus Safety, Utilities, Extended Day, and more. The VP alerts departments to budget insufficiencies or changes in funding in time for departments to make appropriate adjustments. In addition, the VP monitors the changes in State and District budget assumptions and communicates these to the President's Advisory Cabinet (PAC) and Planning and Budget Committee (PBC) in order to make informed decisions (IID5.18 – PBC Minutes, May 2016).

In addition to the ongoing monitoring discussed above, the College also regularly evaluates financial management practices to identify potential problems or issues and uses the results of those assessments to improve control systems. For example, in 2014 the College evaluated the parking permit practices utilized by the Campus Safety Department and concluded that the cash handling process was problematic. In addition, the distribution of parking permits was time-consuming and inefficient. The College researched alternatives and in 2016/17 switched to an on-line license plate recognition system that eliminated the cash collected at permit kiosks and through registration streamlined the ticketing process to more efficiently use the time of Admissions and Records and safety officers (IID5.19 – Parking Management System).

The College also engages in ongoing evaluations of key area department budgets to ascertain the efficacy of the financial management practices used. Evaluations are designed to monitor the on-going spending rates of departments to assess whether the spending is efficient. Year End

reviews are conducted to evaluate revenue collected, spending patterns, and overages and to identify problems and improvements to be made (IIID5.20 – awaiting year end evaluation evidence).

Analysis and Evaluation

The College and District meet the Standard. NOCCCD and Cypress College work to ensure the financial integrity of the District and College. Through District Board policies and procedures as well as College fiscal practices, both institutions engage in responsible use of financial resources. The internal and external annual Districts audits support and monitor internal control structures to confirm that appropriate financial oversight occurs. To augment the annual financial audit, the District Internal Auditor conducts regular audits based on the risk-based Audit Assessment to ensure that day-to-day District operations are performed efficiently. In addition, the College control mechanisms, Separation of Duties, Multiple Approvals, and Staff Rotation have been effective in promoting appropriate fiscal management.

The District and College widely disseminate dependable and timely information for sound financial decision-making at Chancellor’s Staff and CBF (District), PAC and PBC (College) meetings, as well as posting audit reports on the District website. The District and College engage in regular evaluation of financial management practices, through the regular review process of Board policies and procedures, response to audit findings, and the review of campus practices. The results are used to improve internal control systems where needed.

Evidence Sources

- IIID5.1 – NOCCCD Budget Allocation Handbook
- IIID5.2 – NOCCCD Board Policy 6300 – Fiscal Management
- IIID5.3 – NOCCCD Board Policy 6330 – Purchasing and Warehouse
- IIID5.4 – NOCCCD Board Policy 6340 – Contract Controls
- IIID5.5 – Memo on Preparing for the Annual Inventory Count
- IIID5.6a – Budget Allocation Model PowerPoint
- IIID5.6b – Budget Model Forum 2017 Flyer
- IIID5.7 – awaiting CBF and CS meeting evidence
- IIID5.8 – Risk Based Audit Assessment Methodology
- IIID5.9 – NOCCCD Board Policy 6400- Financial Audit
- IIID5.10a – NOCCCD Audit Findings June 30, 2011
- IIID5.10b – Karen Cant, Vice President – Administrative Services email
- IIID5.11 – NOCCCD BOT minutes –Audit, December 13, 2016
- IIID5.12 – Annual Financial Audit Report 2014/15
- IIID5.13 – District Audit webpage
- IIID5.14 – awaiting separation of duties evidence
- IIID5.15 – Sample Approval queue
- IIID5.16 – One-Time Funding Request Form
- IIID5.17 – Dao Do, Bursar, Vault position rotation email

IIID5.18 – Planning and Budget Committee Minutes, May 19, 2016

IIID5.19 – awaiting License plate evidence

IIID5.20 – awaiting midterm and year end evaluation evidence

IIID6. Financial documents, including the budget have a high degree of credibility and accuracy, and reflect appropriate allocation and use of financial resources to support student learning programs and services.

Evidence of Meeting the Standard

Cypress College and NOCCCD work to ensure that financial documents are credible and accurately reflect the allocation of resources to support student learning. The Banner Financial Module (Banner) is the primary tool the District and College use to track financial transactions. Through the Banner system, appropriate staff members have access and engage in ongoing oversight of financial documents and transactions including budget allocations, revenues, transfers, payroll postings, budget expenditures, and expenditure transfers (IIID6.1- Approval Queue). In this manner, District and College employees work together to maintain the integrity and accuracy of financial records.

As discussed previously (see Standard IIID1), NOCCCD has established multiple Board policies and procedures to govern financial decisions and processes. The District employs numerous financial professionals, including (#TBD) Certified Public Accountants (IIID6.2- CPA Evidence), who work to ensure fiscal responsibility. These experienced professionals in the District and College Finance Offices constantly review the detailed financial information in Banner and work with all internal and external auditors to rectify any deficiencies that may occur so that information is not only credible and accurate but reflects appropriate allocations to student learning and program services (IIID6.3- Karen Cant email).

The District allocates all available funds and publishes budget documents which are approved by the Board of Trustees. The Tentative Budget is approved in June, and the Annual Proposed Budget is approved in September (IIID6.4a - BOT Minutes June, 2016; IIID6.4b - BOT Minutes Sept 2016). In addition, budget documents are revised as additional funds (grants and categorical programs) are received (IIID6.5-BOT Minutes, Dec. 2016). Every year during the budget development process, a Budget to Actual Expense comparison report is prepared, which illustrates the differences between budgeted amounts and actual expenditures by major account code (IIID6.6- Budget evidence). The District presents budget information throughout the budget development process at monthly Council on Budget and Facility (CBF) meetings in which all constituents have representation (IIID6.7 – CBF Summary, May 2014).

Annual audit findings are shared with the CBF and District Consultation Council (DCC), Chancellor's Staff, and the Board of Trustees (IIID6.8a - CBF Minutes; IIID6.8b – DCC Minutes; IIID6.8c - Chancellor's Staff agenda; IIID6.5- BOT Minutes, Dec. 2016). Annual Audits are posted on the District Website as well (IIID6.9 - Audit Webpage).

The Council on Budget and Facilities (CBF) was created after the previous accreditation visit. This entity reviews the allocation of funds for budget purposes and reviews how the District divides resources to the various campus sites. Each year the CBF reviews proposed budget

assumptions in consideration of known and estimated changes, including growth funding, the full-time faculty obligation, and COLA. Later budget assumptions are adjusted after the State budget is finalized each year (IIID6.10 - evidence). After the close of the prior year budget, carryover funds are reconciled and added to the ongoing proposed budget allocation. The NOCCCD budget is finalized in September with the approval of the Board of Trustees (IIID6.4b – BOT Minutes, September 2016). The budget allocations, including carryover funds, are summarized in the Annual Proposed Budget and Financial Report (IIID6.11 - Annual Proposed Budget Report).

Analysis and Evaluation

The College and District meet the Standard. Cypress College and NOCCCD make certain that financial documents, including the budget and audits, have a high degree of credibility and accuracy. This is done through the Banner Finance Module which manages all financial transactions for the College and the District along with oversight by multiple, experienced financial personnel who monitor Banner on an ongoing basis. In addition, internal audits conducted in response to ad hoc issues, in conjunction with regular external audits, serve to confirm the accuracy and credibility of financial documents. In the past five years, there have been no major District findings in the annual external audit reports (IIID6.12a-e- Annual Audit Reports).

While meeting the Standard, the end of the year carryover data is somewhat misleading. College carryover funds are budgeted in the ongoing supplies and/or equipment lines, which inflate those budget line items. Early each fall, allocation decisions are made, and the carryover funds are redistributed to areas of need. For the last several years, carryover funds have been used primarily to meet FTES targets not met by the Extended Day Funding Model allocation. While the budget accurately represents the carryover funds remaining each year, the placement of those funds in supplies/equipment while allocation decisions are made does not accurately represent monies available for those needs.

Evidence Sources

- IIID6.1 – Banner Approval Queue screenshot
- IIID6.2 – awaiting CPA evidence
- IIID6.3 – awaiting financial info review evidence
- IIID6.4a – NOCCCD Board of Trustees Minutes June 28, 2016
- IIID6.4b – NOCCCD Board of Trustees Minutes September 16, 2016
- IIID6.5 – NOCCCD Board of Trustees Minutes December 13, 2016
- IIID6.6 – awaiting budget to actual report
- IIID6.7 – Council on Budget and Facilities Summary, May 12, 2014
- IIID6.8a – awaiting CBF Minutes- Audit findings
- IIID6.8b – awaiting DCC Audit findings
- IIID6.8c – awaiting Chancellor’s Staff agenda- audit findings
- IIID6.9 – NOCCCD Audit Webpage
- IIID6.10 – Awaiting budget assumptions evidence
- IIID6.11 – NOCCCD Annual Proposed Budget Report 2016-17

IIID6.12a – NOCCCD Annual Financial Report - 2011 Final Audit Report
IIID6.12b – NOCCCD Annual Financial Report - 2012 Final Audit Report
IIID6.12c – NOCCCD Annual Financial Report - 2013 Final Audit Report
IIID6.12d – NOCCCD Annual Financial Report - 2014 Final Audit Report
IIID6.12e – NOCCCD Annual Financial Report – 2015 Final Audit Report

IIID7. Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.

Evidence of Meeting This Standard

The District's and the College's fiscal management is handled conservatively, transparently, and prudently. The financial audit requirement is mandated by *NOCCCD Board Policy BP 6400 – Financial Audits* (IIID7.1) in compliance with the requirement under Title 5. Currently, the District has engaged the services of Vavrinek, Trine, Day & Co., LLP as external auditors (IIID7.2 – 2016 Audit). Their audit scope is comprehensive in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance. Part of their responsibility is to express opinion on the quality of the financial statements based on reasonable assurance that financial statements are free from material misstatements (IIID7.2 - 2016 Audit, p. 2).

At the District level, audit reports and findings are discussed at the Council of Budget and Facilities (CBF) (IIID7.3 – need CBF Minutes audit evidence) and the bi-monthly Budget Officers meeting (IIID7.4- Budget Officers Agenda). At the College, when the external auditors contact District fiscal affairs about tentative findings or if something needs clarification, they are referred to the campus Vice President of Administrative Services who, in turn, speaks with the appropriate departments, divisions, and/or offices. Audit Findings are a campus priority and are handled expeditiously and in a timely manner (IIID7.5- Cant email).

The District is committed to transparency in all financial transactions. Audit reports, especially audit findings, are not taken lightly. The Budget Officers keep a close watch on all audit issues, and any concerns are directed to the proper channels for early resolution. The Budget Officers Committee consists of the Vice-Chancellor, Finance & Facilities; District Director, Fiscal Affairs; District Manager, Fiscal Affairs, Vice-Presidents of Administrative Services at Cypress and Fullerton Colleges; campus Bursars; and the Manager, Administrative Services, North Orange Continuing Education. These are the individuals tasked with the management of financial transactions at the District and the campuses (IIID7.6 – DRM, p.21).

Over the past six years, the District received clean audit reports that had no material weaknesses or significant deficiencies, and no audit adjustment required. There were minor issues that were identified and resolved on a timely basis to the satisfaction of the external auditors. The following are the financial audit results over the past six years.

	Financial Statements	Internal Controls	Federal Findings	State Award Findings
<u>FY 2010-11</u>	Unmodified	No material weakness/significant deficiencies/noncompliance with financials	Return of Title IV Funds - Cypress College - Return of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education or the appropriate lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. A policy has been developed and Title IV funds are tracked and returned with the prescribed time period (IIID7.7- 2011 Audit, p. 71-72).	None (IIID7.7- 2011 Audit)
<u>FY 2011-12</u>	Unmodified	No material weakness/significant deficiencies/noncompliance to financials	None (IIID7.8- 2012 Audit, p. ?)	None (IIID7.8- 2012 Audit)
<u>FY 2012-13</u>	Unmodified	No material weakness/significant deficiencies/noncompliance with financials	None (IIID7.9- 2013 Audit, p. ?)	None (IIID7.9- 2013 Audit)
<u>FY 2013-14</u>	Unmodified	No material weakness/significant deficiencies/noncompliance with financials	None (IIID7.10- 2014 Audit, p. ?)	None (IIID7.10- 2014 Audit)
<u>FY 2014-15</u>	Unmodified	No material weakness/significant deficiencies/noncompliance with financials	None (IIID7.11- 2015 Audit, p. ?)	Section 425 Residency Determination for Credit Courses – The Veterans Access, Choice and Accountability Act of 2014 (VACA Act) allows for reduced requirements for veterans to receive State residence status after separation from the military. The Act is effective for terms beginning after July 1, 2015. Personnel at the college campus voted to implement the VACA Act beginning in the spring of 2015 term, prior to the effective date. There were no questions on cost associated with this finding. The District corrected the reporting error on the Apportionment Attendance Report (CCFS-320) for the recalculation period with an 8.56 reduction in credit FTES (IIID7.11- 2015 Audit, p. 90-91). Corrective action of this finding was implemented in FY 2015-16.
<u>FY 2015-16</u>	Unmodified	No material weakness/significant deficiencies/noncompliance with financials	None (IIID7.2- 2016 Audit, p. 92)	None (IIID7.2- 2016 Audit, p. 92)

It is the practice of the District Fiscal Affairs to remedy any audit issues, exceptions, or management advice on a timely basis. These exceptions are sent out to the respective divisions of the District or campus and are given a specified amount of time to respond. The District communicates the annual audit reports regularly through presentation to the Board of Trustees (IIID7.12 - BOT Minutes Audit) and to the public by posting them on the District webpage (IIID7.13 - District Website-Audit).

Cypress College responds to audit findings in a timely manner. In the 2011 annual audit there was one finding for Cypress College regarding Return to Title IV (IIID7.7- 2011 Audit). It was noted that in some instances the College's portion of the Return to Title IV funds was not returned within the 45-day requirement. While the funds were returned, it was not within the 45-day requirement. Due to staff turnover within the Cypress College Financial Aid Office, there was a lack of oversight to ensure that transmittal of funds to the Department of Education occurred within the 45-day requirement. A procedural change was implemented to require a monthly review of calculations and submittals that will prevent this finding from recurring in the future (IIID7.7 – 2011 Audit, p. 72).

In the 2015 annual audit there was one finding for Cypress College regarding Residency Determination for one Veteran student who claimed California residency, and no documentation was available to prove residency (IIID7.11- 2015 Audit, p. 90). The VACA Act allows for reduced requirements for veterans to receive State residence status effective July 1, 2015. Personnel at the college campuses implemented the VACA Act in Spring 2015, which was prior to the effective date. The CCFS-320 report was corrected to accurately reflect the correct resident FTES (IIID7.11 - 2015 Audit, p. 91).

Analysis and Evaluation

The College and District meet the Standard. NOCCCD and Cypress College respond to external audit findings in a comprehensive and timely way. The audit results and findings are communicated to the appropriate District (DCC and CBF) and College (PAC and PBC) constituency groups in their regular meetings. In addition, the results are emailed to the staff and posted on the District website in a timely manner. In the last six years there have been three audit findings identified for Cypress College, and appropriate resolutions have been made. One finding took more than one fiscal year to correct, but all corrections are up-to-date.

The financial audit is the vehicle that validates how the District manages its finances in accordance with prescribed accounting methods and government regulations. Continued government funding largely depends on proper management of those funds. It is important to demonstrate the propensity to maintain control of funds that is best reflected in a clean audit report.

Evidence Sources

IIID7.1 – NOCCCD Board Policy 6400-Financial Audits

IIID7.2 – 2016 Annual Financial Report- Audit

IIID7.3 – awaiting CBF Audit minutes

IIID7.4 – NOCCCD Budget Officers Meeting, March 8, 2016

III.D7.5 –Karen Cant, VP Administrative Services, Audit Findings/Response email
III.D7.6 – NOCCCD Decision-making Resource Manual: Structure, Function and Alignment
III.D7.7 – NOCCCD Annual Financial Report - 2011 Final Audit Report
III.D7.8 – NOCCCD Annual Financial Report - 2012 Final Audit Report
III.D7.9 – NOCCCD Annual Financial Report - 2013 Final Audit Report
III.D7.10 – NOCCCD Annual Financial Report - 2014 Final Audit Report
III.D7.11 – NOCCCD Annual Financial Report – 2015 Final Audit Report
IIID7.12 – awaiting NOCCCD BOT Minutes – Audit Report
IIID7.13 – NOCCCD Audit Reports webpage

IIID8. The institution’s financial and internal control systems are evaluated and assessed for validity and effectiveness, and the results of this assessment are used for improvement.

Evidence of Meeting the Standard

There are various methods employed by the District and College to validate financial and internal controls. The first of these is the annual financial audit conducted by an outsourced external audit firm as required by *NOCCCD Board Policy BP 6400 – Financial Audits* (IIID8.1) and presented by the auditors to the Board of Trustees (IIID8.2 – BOT Minutes, Dec. 2016). The focus of the audit is to validate the annual financial statements for accuracy, consistency, effectiveness of the operations and assessment of internal controls, governed by prescribed rules of government auditing standards (IIID8.3 – Auditor Responsibility). Any finding is noted in the audit report and the status verified in the subsequent year (IIID8.4a - 2016 Audit Report). The respective budget officer is tasked to ensure that any finding is resolved quickly. The District has had only two audit findings in the past five years; both were immediately resolved (IIID8.4 a-e - Audit Reports).

In addition to the task performed by external auditors, the District Internal Audit Department (reporting to the Vice-Chancellor of Finance & Facilities) conducts regular audits of District and campus departments. Internal Audits go into operational detail beyond the scope of the annual financial audit and includes an evaluation of the department’s internal controls in an effort to identify potential risk for fraud and recommend remedial solutions, as necessary. These audits are scheduled based on a risk-based audit assessment program to ensure that high-risk areas are quickly audited and problems resolved (IIID8.5 – Risk Assess. Method.). Any findings are forwarded to the respective departmental head for immediate action. These are followed up by the respective District or campus budget officer to ensure compliance. For example, in 2016 when irregularities in the Admissions and Records office were suspected, the VP of Administrative Services requested an audit be conducted by the District internal auditor. When the audit report was completed the recommended procedural changes were implemented to mitigate the risk identified (**IIID8.6- Cant Audit email**)

The next line of controls comes from the users themselves. For example, District Fiscal Affairs monitors the financial systems daily to determine that the modules are consistent with one another. Any concern is immediately brought to the attention of District Information Services management for resolution. Other departments conduct ongoing reviews and raise issues for resolution as these are identified. In addition, users attend various conferences and meetings and learn new concepts that may enhance their work or cure deficiencies within their current work

process (IIID8.7 – Conf Flyer evidence). These issues are brought to the attention of the departmental manager for evaluation and resolution. As necessary, the respective budget officer may be involved in any control issues.

The fourth area of review requires that all District Departments reporting to the Chancellor conduct an annual Administrative Review of their operations, evaluating efficiency and effectiveness of their systems and processes (IIID8.8 – Administrative Review). This includes identifying control procedures that describe their business activities and responsibilities of employees within their organization. Recommendations made in the “Improvements” section of the review are evaluated in the subsequent year to determine if remedial recommendations were implemented. This annual review, performed by internal staff familiar with their processes, is designed to flush out deficiencies in operations. Some departments engage outside firms to evaluate controls in addition to extensive review of their systems, as in the case of District Information Services (IIID8.9- Ludford email). The result of these reviews are reviewed by departmental management with their staff and forwarded to the Chancellor for evaluation and action. Financial and internal controls are matters discussed at the bi-monthly Budget Officers meetings (IIID8.10 – Budget Off. Meeting agenda), with the Internal Auditor participating as necessary.

Since the audit is one of the primary evaluations of the District and College internal controls systems, the District engages in a regular comprehensive review of the potential external auditing firms to be considered before awarding contracts. A thorough review of firm and auditor experience, training, and competence is conducted to assess the auditing firm’s effectiveness and validity. In 2016, the District reviewed six competing audit firms before selecting Vavrinek, Trine, Day and Company (IIID8.11 – BOT Minutes, April 2016). Auditing firms are selected based on positive review, and the District uses the review process to ensure ongoing improvement of auditing services rendered.

At the College, the effectiveness of internal control systems is a part of the annual Manager Evaluation. Each year, the VP of Administrative Services evaluates the performance of managers in key areas that include financial managers in the Bursar’s Office, the Business Office, and more. All managers, including those reporting to the Executive Vice-President and President, identify goals and are evaluated in terms of progress made towards the goals set. Efficiency and validity of their control systems and ongoing improvement of those systems as well as staff members supervised are intrinsic elements of the evaluation process. Managers are expected to recognize problem areas and offer solutions to improve services and processes. For example, when the VP of Administrative Services saw that the College water bills were escalating at an unsustainable rate she sought funding to hire a consultant to evaluate the water use on campus and make recommendations for conservation. The results of that evaluation ultimately led to 1) an agreement with the City of Cypress to discontinue charging the College a sewage fee for irrigation water that never went into the City of Cypress sewers, and 2) installation of new water controls and meters to reduce the amount of water used for irrigation and timing which was better sequenced with when the College was closed. These actions, while taking two years to fully implement, reduced the College water bills by nearly \$250,000 per year (IIID8.12- Cant water use email evidence, IIID8.13 Board Minutes approving City of Cypress agreement).).

Analysis and Evaluation

The College and District meet the Standard. NOCCCD and Cypress College’s financial and internal control systems are evaluated and assessed for validity and effectiveness. Audits, reviews, and written procedures are the tools that ensure continuity and validate the integrity of financial statements as reflected in the audit reports. Internal control systems are reviewed regularly through annual Manager Evaluations and scheduled external audits. The results of the assessments are used for improvement as potential problems are brought to management’s attention as soon as possible. The District emphasizes that internal control deficiencies should be taken seriously, and any request for response are given a high priority. Further, the District engages in thorough review and vetting of auditors to ensure the most effective and valid evaluations are conducted.

Evidence Sources

- IIID8.1 – NOCCCD Board Policy BP 6400- Financial Audit
- IIID8.2 – NOCCCD Board of Trustees Meeting Minutes, December 13, 2016
- IIID8.3 – External Auditors Responsibility
- IIID8.4a – NOCCCD Annual Financial Report - 2016 Final Audit Report
- IIID8.4b – NOCCCD Annual Financial Report – 2015 Final Audit Report
- IIID8.4c – NOCCCD Annual Financial Report - 2014 Final Audit Report
- IIID8.4d – NOCCCD Annual Financial Report - 2013 Final Audit Report
- IIID8.4e – NOCCCD Annual Financial Report - 2012 Final Audit Report
- IIID8.5 – Risk-based Audit Methodology
- IIID8.6 – awaiting Budget Officers Meeting - compliance
- IIID8.7 – awaiting Conference evidence
- IIID8.8 – Administrative Reviews NOCCCD Finance and Facilities 2017
- IIID8.9 – awaiting District Information Services External Review email or contract of services
- IIID8.10 – awaiting Budget Officers Meeting – Internal controls
- IIID8.11 – NOCCCD Board of Trustees Meeting Minutes, April 12, 2016
- IIID8.12 – awaiting managers solutions
- IIID8.13 – NOCCCD Board of Trustees meeting Minutes, August 23, 2016

IIID9. The institution has sufficient cash flow and reserves to maintain stability, support strategies for appropriate risk management, and, when necessary, implement contingency plans to meet financial emergencies and unforeseen occurrences.

Evidence of Meeting the Standard

The District maintains sufficient cash reserves to meet all of its financial obligations, including emergency needs. The June 30, 2016 report from the county treasury showed a total cash deposit of \$331.6 million, almost all of which is available to meet the District’s operational cash requirements (IID9.1- GL220, p. 13). The monthly General Fund payroll for the District averages about \$17.1 million (IIID9.2 – Av. Monthly Payroll 2015/16).

The District builds and maintains sufficient balances in various funds to ensure that future cash needs will be met. The District recognizes obligations and liabilities as they are promised or

incurred and accounts for them appropriately. As per *NOCCCD Board Policy 6250- Budget Management* (IID9.3), the District is required to maintain at least a 5% reserve. At the end of Fiscal 2016, the District held approximately \$47.1 million in the combined General Fund reserve or about 22.3% of expenditures (IID9.4 - 311Q Budget Report). Of the \$47.1 million identified \$15.9 million can be attributed to sites' carryover funds. The \$15,940,860 was derived from site specific revenue or budget conservation during prior years. It has been the practice for many years to use these funds to backfill for budget reductions, to purchase instructional equipment, to help pay for tutorial services, to maintain computer replacement plans, to address facility repairs, and to support professional development. Cypress College's share of the carryover was \$5,833,148 (IID9.5- Proposed Budget & Financial Report 2015-2016, p. 18, 56). Additionally in 2016, the District held about \$152.9 million in other funds for retiree health benefits amounting to \$70.5 million, self-insurance \$26.9 million and capital projects for \$55.5million (IID9.1 – GL220).

The District takes a deliberate and methodical approach to ensuring sufficient resources are available to meet operational and emergent needs. Over the past six years, the District's ending fund balance has averaged \$44,395,448 or 27.1% of expenditures (IID9.4 - 311Q Budget Report). The following reflect the cash balance at the end of each fiscal year.

Year	Cash Balance at Year-end
FY 2015-16	\$64,186,411
FY 2014-15	\$62,609,078
FY 2013-14	\$41,780,041
FY 2012-13	\$37,112,295
FY 2011-12	\$30,778,549
FY 2010-11	\$37,139,145

(IID9.4 – 311Q Budget reports)

A detailed Proposed Budget / Financial Report (IID9.5 - Proposed Budget) is published each year that specifies not only the allocation of financial resources for spending but also the designation of other funds to be used in future fiscal periods. The District has sufficient resources to ensure financial solvency because of the controls over spending in relation to resources and the recognition of long-term liabilities.

The most significant long-term liability for the District is the participation in CalPERS and CalSTRS retirement systems. Each year, the District fully funds its liability in each of these systems (IID9.6 – BOT Minutes, 2016, p. 196-197). In FY2015-2016, the State increased the Base Allocation to Districts with the implicit direction that this increase in funding was intended to cover future PERS and STRS rate increases. A clear indication of the District's commitment to future financial stability is the designation of all of the recent Base Augmentation funding for STRS and PERS rate increases over the next several years (IID9.7- CalPERS/STRS Multi-Year). By designating the entire augmentation, the District should have sufficient resources to cover the anticipated increases through FY2025.

While the District has been setting funds aside for more than a decade for retiree health benefits and has accumulated over \$70 million in this fund, in FY2015-2016, the District set up a GASB-compliant OPEB irrevocable trust to fund retiree health benefits and established a Retirement

Board of Authority to oversee the investments in the trust (IID9.8 – BOT Agenda Item Feb. 23, 2016). A MOU was negotiated in June 2016 with the labor groups to move the \$70 million in retiree health benefits into the irrevocable trust (IID9.9 – MOU Irrevocable Trust). While this transfer of funds into the irrevocable trust should greatly reduce the annual required contribution in the future, the District has been meeting the Annual Required Contribution (ARC) for the past few years (IID9.10 – Annual Audit, p. 48).

The District recognizes obligations as they are developed. For instance, the District utilizes the position control module in Banner to accurately reflect the cost of salaries and benefits which make up the vast majority of the operational expenditures (IID9.11 – Banner Position Control Report). Multi-year labor agreements also help stabilize operational cash requirements and lead to greater fiscal stability.

The District through its Risk Management Division ensures that there is adequate insurance coverage for property, liability, cyber, student insurance, and Workers Compensation. The District has added two additional policies through the School's Excess Liability Fund (SELF) that provides up to \$55 million for liability coverage (IID9.12 – ASCIP Declarations). Risk Management actively transfers risk to contracting parties whenever possible, participates in insurance service consortiums, conducts safety trainings, and provides safety inspections, all designed to provide integrity and ensure financial stability of the organization.

Cypress College maintains a budgeted Campus Contingency Fund of \$750,000, which is used to address unanticipated emergencies or time sensitive opportunities which do not have another source of funding. The Campus Contingency Fund is established each year from carryover funds and the distribution is shared via Powerpoint at Opening Day, published in the Annual NOCCCD Proposed Budget, is shared with the Planning & Budget Committee. (IID9.13a – Carryover Allocation Powerpoint; IID9.13b – Cant email).

Analysis and Evaluation

The College and District meet the standard. NOCCCD has sufficient cash flow to maintain stable operations of the District and College. In addition, the District and College maintain support strategies in the form of reserves for appropriate risk management and contingency plans to meet financial emergencies and unforeseen occurrences. The District also ensures that adequate insurance coverage for property, liability, cyber, student Insurance, and Workers Compensation is in place.

The District has engaged in fiscally conservative practices to ensure long term financial stability. Even during the recent State budget crisis when significant amounts of cash for budget allocation were being deferred to future years, NOCCCD did not have to borrow funds to maintain cash flow.

Evidence Sources

IID9.1 – NOCCCD GL 220 Balance Sheet June 30, 2016

IID9.2 – Monthly Payroll Totals spreadsheet FY 2015-2016

IID9.3 – NOCCCD Board Policy 6250- Budget Management

IIID9.4 – 311Q Budget Report
IIID9.5 – Proposed Budget and Financial Report 2015-16
IIID9.6 – NOCCCD Board of Trustees Meeting Minutes, May 10, 2016
IIID9.7 – CalPERS/CalSTRS Multi-year spreadsheet
IIID9.8 – NOCCCD Board of Trustees Meeting Agenda Item, February 23, 2016 – OPEB Irrevocable Trust
IIID9.9 – MOU NOCCCD and UF, CSEA Irrevocable Trust
IIID9.10 – NOCCCD Annual Audit Report 2016
IIID9.11 – Banner Position Control Module Report
IIID9.12 – ASCIP Property and Liability Program Declarations
IIID9.13a – Allocation of Carryover Funds 2015-16 Powerpoint slide
IIID9.13b – Karen Cant, VP Administrative Services, Carryover Allocation email

IIID10. 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.

Evidence of Meeting the Standard

The NOCCCD Fiscal Affairs Division is tasked with overseeing, controlling, and reconciling the finances of the District as mandated by *NOCCCD Board Policy and Administrative Procedure 6300- Fiscal Management* (IIID10.1a - BP 6300; IIID10.1b - AP 6300). While there is an array of finances flowing into the District, the vast majority of funding is received from the State of California under the apportionment process where funds are received based on the Full Time Equivalent Students (FTES) calculation (IIID10.2-FTES Apportionment). This process is carefully monitored, justified to the State, and subject to eventual audit. Funds are transmitted by the State to the Orange County Department of Education Treasurer's Office where District funds are maintained. The fund account is charged when checks are issued to settle District financial obligations (IIID10.3 - Check Issue Process).

Justification for the propriety of allocating District financial resources is determined by management oversight that includes review by the Council on Budget and Facilities (CBF), District Consultation Council (DCC), and the Budget Officers. Scrutiny includes verification of financial resources based on the Budget Allocation Handbook (BAH). In these meetings, financial utilization is discussed to validate the effectiveness of expenditures (IIID10.4 - utilization Evidence). The CBF makes recommendations regarding policies, planning, and the allocation of resources. The CBF reviews and revises the annual budget assumptions and serves as a forum for discussions on fiscal issues (IIID10.5 - DRM, p. 16). This process is followed by justification of expenditures to the Board of Trustees with special focus on how the resources are adequately used to maximize its use to benefit students (IIID10. 6 – BOT minutes evidence). District Fiscal Services is tasked with reconciliation of expenditures against the budget and grant requirements.

Recently the District hired its first full-time internal auditor who has developed a risk based audit plan (IIID10.7- Risk Based Methodology) to assist administration in oversight of critical areas of operation in the District. In addition to the internal audit function, an annual external audit is

performed which includes review of financial aid, grants, and the foundation (IIID10.8- 2016 Audit).

At the College, effective oversight of finances relies on procedures such as monitoring of major budgets for projected deficits, monthly reviews of auxiliary financial statements and of financial updates for grants budgets, internal auditing throughout the year, and the District annual external audit. There is a consistent layering of review and approval levels between the College and District. Purchase requisitions route electronically from the originator through appropriate management channels reaching the District Director of Purchasing for final approval. Routing does not proceed without the review and electronic signature of staff at specific checkpoints (IIID10.9 – Sample Approval queue). Any reallocations between major expenditures are approved by the Board (IIID10.10 - BOT Evidence). Financial information is easily accessible with the College's Banner enterprise business system so that individuals are able to monitor their own budget unit's allocations and financial transactions (IIID10.11 – Health Center Banner screenshot).

Financial Aid is made available to defray a portion of the cost of student's education (e.g. Pell grants). Applications for financial aid are handled by each campus. The reconciliation of student financial aid is conducted by District Fiscal Affairs after receiving information processed by the campus. Subsequently, funds are requested from the Department of Education and paid to an outside company "Higher One" tasked with disbursing the funds to students. Title IV programs are Federal Student Aid and Student Loan programs authorized under the Higher Education Act of 1965. These are controlled by the campus Financial Aid Offices (FAO) that have procedures consistent with Federal regulations (IIID10.12- FAO Policies and Procedures).

NOCCCD Board Policy and Administrative Procedures 3280 - Grants describes how grants are processed (IIID10.13a BP 3280; IIID10.13b- AP 3280). Program-based grants come from various sources, mostly government, for the purpose of enhancing school operations, and research and instructional activities. Applications for grants are normally initiated from the campuses, and upon approval, expenses incurred are verified by District Fiscal Affairs and reported monthly or quarterly in accordance with the directive of the grant (IIID10.14a- HS Monthly report; IIID10.14b –Second Quarter report). All expenditures for grants are properly documented for future audit (IIID10.15-evidence).

At the campus level, grants are managed by the Grant Administrator and/or designee. The designee is normally the person(s) appointed as a professional expert or faculty on reassigned time to manage the daily outcomes of the grant. All expenses are represented by a Banner requisition and purchase order, following approvals that originate at the division/department level and proceed up the ladder, including the Executive Vice President (EVP), Vice President (VP), President, District Purchasing and others, before the expenditure is made (IIID10.16a- Board Agenda item, November 2016; IIID10.16b - Budget detail; IIID10.16c - Budget Resolution November 2016).

For grants, the campus Grants Administrator reviews and approves individual hiring and purchase requests for compliance with the applicable grant workplan, before the requisition is advanced for further approvals (IIID10.17-Email Approval). Expenditures are approved per *NOCCCD Board Policy and Administrative Procedure 6150 - Designation of Authorized Signatures*, which identifies positions at the District and the College authorized to approve

certain transactions, and the limits of that authority for those same positions (IIID10.18a - BP 6150; IIID10.18b -AP 6150).

Each grant is subject to the oversight and management of the grantor agency (State of California, California Community College Chancellor's Office-CCCCO, U.S. Department of Energy, U.S. Department of Labor, National Science Foundation, etc.). In each case, an individual at the grantor agency is designated to monitor the College's/District's expenditures, progress on the workplan, and accountability. These monitors work closely with the campus Grant Administrator, grant coordinators, and District personnel to assist in answering questions, approving changes to the budgets and/or workplans, and in reviewing and approving reports submitted in compliance with the grant agreement (IIID10.19 - Donley email).

All the grants are audited annually by an independent auditor appointed by the District as mandated by Title 5. Further, the individual grants undergo specific audits by the granting agency, usually on an annual basis (IIID10.20 - CTEF Audit Report). Education Department General Administrative Regulations (EDGAR), Title 5, California Education Code, and other legislative mandates apply in this process. Finally, many of the grants are audited continuously by the grantor agency, as the monthly, quarterly, and annual reports are received. To date, there have been no "negative findings" for the grants at the College (IIID10.14a - HS Monthly report; IIID10.14b – Second Quarter report).

Per *NOCCCD BP/AP 6150*, current contracts up to \$5,000 may be approved by the VP of Administrative Services or the President (IIID10.18a - BP 6150; IIID10.18b - AP 6150). The VP of Administrative Services is responsible for certain contractual relationships, such as Bookstore Operations, Swap Meet Operations, Facility Rental Agreements, Bond Program Service Contracts (architects, construction contractor), and Food Services Operations. Monthly financial statements, as appropriate, are provided by the contracted party when payments to the College are due. Contract language is drafted with the intent to develop fair contracts that would allow each party to function at the highest level, while always taking into consideration the regulations and policies that govern the College. "Out" clauses are included in every contract for any breach, for cause, and for no cause (IIID10.21a- ICA; IIID10.21b- Cingular Contract).

Effective management of the larger contractual relationships requires regular face-to-face meetings with representatives of the contracted party to review and evaluate the services being provided. When the contract requires payment be made to the service provider, invoices for service are carefully reviewed and discussed to confirm payment is only made when service has been delivered per the contract (IIID10.21a- ICA).

In addition, approved contracts which involve significant payments be made to the College are also subject to an independent audit review as a term of the agreement with the College (Swap Meet-Open Air Market/Newport Diversified, Bookstore-Follett Corporation, Food Services-YBH Restaurants). Other contract relationships are specific to divisions and departments on campus and require the managers in those areas provide the appropriate oversight to the contract relationship and service (independent contractors, clinical agreements, etc.) (IIID10.22- [Cant email](#)).

Per *BP/AP 6300*, the Bursar maintains accounts for student and department activities (IIID10.1a - BP 6300; IIID10.1b- AP 6300). All programs accounts are regularly monitored for financial

viability. The regular assessment of various budgets can result in adjustments in budgeted revenue or expenditure or meetings with administrators responsible for those budgets (IIID10.23- awaiting budget assessment evidence).

Campus auxiliary organizations, such as Associated Students, which includes several clubs, and the Cypress College Foundation, maintain their funds with the campus Bursar's Office. Most of these are generated from fund raising events and governed by Fundraising Guidelines established by the College (IIID10.24 – Fundraising guidelines). The Cypress College Foundation is a (501c3) non-profit organization. The Foundation is a separate legal entity with its own tax ID number and, as such, has a separately performed annual audit. The Cypress College Foundation has a financial advisor to assist in managing the endowment investment portfolio. The Foundation Board has established its own conservative investment guidelines with an emphasis on protecting the principal of the endowment fund. The investment portfolio is reviewed monthly by the Foundation Finance Committee and is subject to an annual external audit (IIID10.25 - Foundation Audit).

Cypress College Bursar's Office is overseen by a professional financial administrator. The Bursar's Office is responsible for auxiliary fund record keeping and student registration fee reconciliation. In this role the Bursar's Office performs billing, fee collection, vendor payment processing, reimbursements to campus personnel, scholarship processing, registration fee refunds, third party registration payments, journal entry posts, department/division fundraising activity deposit processing, 1098T and 1099 processing, and auxiliary funds (not required for the campus' immediate needs) investment (IIID10.26- awaiting Bursar responsibility evidence).

The Bursar makes investments with excess cash with the understanding that the primary objective of campus investments is to preserve and protect investment principal in compliance with *NOCCCD Board Policy 6320- Investments* (IIID10.27). As a result, the College focuses on negotiable certificates of deposit (CDs) so if needed they can be liquidated with minimal or no penalty. Besides comparing interest rates, the Bursar ensures that the prospective financial institution is a member of the Federal Deposit Insurance Corporation (FDIC) or a credit union whose deposits are insured by the National Credit Union Administration (NCUA) (IIID10.28 - Do email).

Analysis and Evaluation

The College and District meet the standard. NOCCCD and Cypress College practice effective oversight of finances in several ways. All District and College financial management is subject to internal and external audits to ensure fiscal accuracy and responsibility. Further, the College engages in on-going oversight of other financial aspects as well. The Financial Aid Office has established appropriate oversight policies and procedures that are consistent with state and federal regulations. Similarly, grants and other externally funded programs utilize appropriate controls and are compliant with associated government and organizational regulations. The College and District maintain contractual agreements and manage investments consistent with established *NOCCCD Board Policies and Administrative Procedures BP/AP 6300, BP 6150 and BP 6320*. The Bursar's Office oversees the auxiliary organizations such as Associated Students and clubs as well as expenses of the Cypress College Foundation to ensure appropriate management of their resources. Finally, the Cypress College Foundation utilizes the oversight of its own Board and an annual audit to maintain fiscal health.

Evidence

- IIID10.1a – NOCCCD Board Policy 6300 Fiscal Management
- IIID10.1b – NOCCCD Administrative Procedure 6300 Fiscal Management
- IIID10.2 – FTES Apportionment
- IIID10.3 – Process of Issuing Checks to be Charged to DOE Account
- IIID10.4 – awaiting utilization discussed evidence
- IIID10.5 – NOCCCD Decision-Making Resource Manual: Structure, Function and Alignment
- IIID10.6 – awaiting BOT Minutes
- IIID10.7 – Risk Based Methodology
- IIID10.8 – 2016 Audit
- IIID10.9 – Banner sample approval queue
- IIID10.10 – awaiting reallocation approval evidence
- IIID10.11 – Health Center Banner screenshot
- IIID10.12 – Cypress College Financial Aid Office Policies and Procedures
- IIID10.13a – NOCCCD Board Policy 3280 Grants
- IIID10.13b – NOCCCD Administrative Procedure 3280 Grants
- IIID10.14a – HS Monthly Report for October 2016
- IIID10.14b – Second Quarter Report 2016-17
- IIID10.15 – awaiting Audit documents
- IIID10.16a – NOCCCD Board Agenda Item, November 28, 2016
- IIID10.16b – Budget Detail
- IIID10.16c – NOCCCD Budget Resolution, November 28, 2016
- IIID10.17 – Email approval
- IIID10.18a – NOCCCD Board Policy 6150 Designation of Authorized Signatures
- IIID10.18b – NOCCCD Administrative Procedure 6150 Designation of Authorized Signatures
- IIID10.19 – Steve Donley, Grants Administrator, email
- IIID10.20 – Career Technical Education Fund audit
- IIID10.21a – Independent Contractor Agreement-Out Clause
- IIID10.21b – Cingular Contract –Out Clause
- IIID10.22 – Karen Cant, Vice President, Administrative Services email
- IIID10.23 – awaiting budget assessments evidence
- IIID10.24 – Cypress College Fundraising Guidelines
- IIID10.25 – Cypress College Foundation Annual Financial Report 2015 June 30, 2016
- IIID10.26 – awaiting Bursar responsibility evidence
- IIID10.27 – NOCCCD Board Policy 6320 Investments
- IIID10.28 – Dao Do, Bursar, email

IIID11. The level of financial resources provides a reasonable expectation of both short-term and long-term financial solvency. 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.

Evidence of Meeting the Standard

The District meticulously ensures that sufficient financial resources are available to meet operational needs at all times. The District maintains sufficient balances in various funds for future institutional needs and sets aside a reserve of 5% from the unrestricted general fund in accordance with *NOCCCD Board Policy 6250 - Budget Management* (IID11.1). Funding is provided for educational improvement, innovation, or related priorities.

The District is committed to future financial solvency. After receiving an increase in state funding for PERS/STRS future increases, the District set aside these funds to meet those obligations. The District designated the base augmentation funding for STRS and PERS rate increases over the next several years (IID11.2 – Multi-Year Fiscal Projections).

It has also addressed Other Post-Employment Benefits (OPEB) through an irrevocable trust (IID11.3 – BOT Resolution). A MOU was recently negotiated with the labor groups to move \$70 million in retiree health benefits into the irrevocable trust, and a Retirement Board to oversee investment in the trust was assembled (IID11.4 – MOU Irrevocable Trust). An actuarial firm is engaged to analyze the retiree health benefits and determine the annual required contribution (ARC) and outstanding liability (IID11.5 – Actuarial Reports Webpage).

The District's commitment to meet long-term financial needs is further illustrated through the commitment to long term facilities planning. The District has adopted a five-year construction plan to ensure planned expenditure of Bond funds (Measure X and J Bonds) maximizes instructional facilities (IID11.6 - Five-year Construction Plan)

Further evidence of its commitment to meeting long-term obligations includes instructional salaries that the District negotiates with labor representatives and structuring multi-year labor agreements (IID11.7a – AdFAC Contract, IID11.7b- CSEA Contract; IID11.7c – UF Contract). The labor salary funding helps stabilize cash requirements for future periods. It is also committed to providing adequate insurance coverage, accruing vacation time, and load banking for instructional staff, as well as close scrutiny of future contractual commitments and completion of scheduled maintenance for forthcoming periods (IID11.8 – Scheduled Maintenance Proposal).

All long-term financial obligations are included in the annual budgeting process. The annual Proposed Budget/Financial Report is prepared and published describing how financial resources are to be spent during the fiscal year and future fiscal periods (IID11.9 – Proposed Budget 16/17). The District undergoes a series of program reviews that prioritize operational needs, allocates funds, and subsequently monitors their use. The budget expenditures are discussed in committees such as the Council on Budget and Facilities (CBF) composed of District and campus officials (IID11.10- CBF Summary, May 2014) and eventually reported to the Board of Trustees quarterly (IID11.11- BOT Minutes). Financial performance is also audited by an outside auditing firm annually and validated through internal audits conducted by the District Internal Auditor.

Analysis and Evaluation

The District meets the standard. NOCCCD controls financial resources and ensures that sufficient financial resources are always available to meet current and future obligations and emergency needs. *Board Policy 6250* as well as long term employee retirement planning work

together to maintain the financial resources necessary to provide for both short-term and long-term financial solvency of the District. The irrevocable trust established to anticipate long-range financial obligations enables the District to engage in short-range financial planning with the knowledge that those priorities will be met. Through long term planning as well as on-going assessments, NOCCCD identifies, plans, and allocates resources for payment of liabilities and future obligations.

Evidence Sources

- IIID11.1 – NOCCCD Board Policy 6250 – Budget Management
- IIID11.2 – STRS and PERS Multi-year Fiscal Projections
- IIID11.3 – NOCCCD Board of Trustees Resolution – Irrevocable Trust (OPEB), May 12, 2015
- IIID11.4 – MOU Irrevocable Trust
- IIID11.5 – NOCCCD Retiree Benefits Actuarial Reports Webpage
- IIID11.6 – Five Year Construction Plan
- IIID11.7a – Adjunct Faculty United Contract 2013-17
- IIID11.7b – California School Employees Association Contract 2015-18
- IIID11.7c – United Faculty Contract 2013-16
- IIID11.8 – Scheduled Maintenance Proposal
- IIID11.9 – Proposed Budget/Financial Report 2016-17
- IIID11.10 – Council on Budget and Facilities Summary, May 12, 2014
- IIID11.11 – awaiting NOCCCD Board of Trustees Minutes

IIID12. 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. The actuarial plan to determine Other Post-Employment Benefits (OPEB) is current and prepared as required by appropriate accounting standards.

Evidence of Meeting the Standard

NOCCCD builds and maintains sufficient balances in various funds to ensure that future institutional needs will be met. Additionally, the District recognizes obligations and liabilities as they are committed or incurred and accounts for them appropriately. While the District, in accordance with *NOCCCD Board Policy 6250- Budget Management* (IIID12.1), maintains at least a 5% reserve, at the end of Fiscal 2015, the District held approximately \$47.1 million in the combined General Fund or about 23.6% of expenditures. Of the \$47.1 million identified \$15.9 million can be attributed to sites' carryover funds. The \$15,940,860 was derived from site specific revenue, or budget conservation during prior years. It has been the practice for many years to use these funds to backfill for budget reductions, to purchase instructional equipment, to help pay for tutorial services, to computer replacement plans, to address facility repairs, and to support professional development. Cypress College's share of the carryover was \$5,833,148. (IIID12.2 - Proposed Budget & Financial Report 2015-2016, p. 18 and p. 56). Additionally, the

District held about \$152.9 million in other funds for retiree health benefits, self-insurance, and capital projects (IIID12.3 – NOCCCD Balance Sheet).

The District recognizes obligations as they develop. For instance, the District utilizes the position control module in Banner to accurately reflect the cost of salaries and benefits which make up the vast majority of the operational expenditures. As salaries are increased through the collective bargaining agreements, budgets are increased using the position control module. Each year, compensated absence liabilities, such as load banking and vacation accrual, are calculated and reflected in the Audited Financial Report (IIID12.4- Compensated Absences).

The most significant long-term liability for the District is the participation in CalPERS and CalSTRS retirement systems. In FY2015-2016, the State increased the Base Allocation to Districts with the implicit direction that this increase in funding was intended to cover future PERS and STRS rate increases. A clear indication of the District's commitment to future financial stability is the designation of all of the recent Base Augmentation funding for STRS and PERS rate increases over the next several years. By designating the entire augmentation, the District should have sufficient resources to cover the anticipated increases through FY2025. Each year, the District fully funds its liability in each of these systems (IIID12.2 – Proposed Budget 15/16 p. 18-19).

For many years the District has promised employees with 15 years of service fully funded retiree health benefits that are similar to current employees. The District engages an actuarial firm every two years to analyze the retiree health benefits and determine the annual required contribution (ARC) and the outstanding liability (IIID12.5 – Actuarial Report). The last actuarial study was prepared in 2014 and is posted on the District's website (IIID12.6- Retiree Benefit webpage.). An update is planned for the 2016 year.

While the District has been setting funds aside for more than a decade for retiree health benefits and has accumulated over \$70 million in this fund, in FY2015-2016 the District set up a GASB-compliant OPEB irrevocable trust to fund retiree health benefits and established a Retirement Board of Authority to oversee the investments in the trust (IIID12.7 – Retirement Board Bylaws). A MOU was negotiated in June 2016 with the labor groups to move the \$70 million in retiree health benefits into the irrevocable trust (IIID12.8- MOU). While this transfer of funds into the irrevocable trust should greatly reduce the annual required contribution in the future, the District has been meeting the ARC for the past few years (IIID12.2- Final Audit Report, p. 46)

Analysis and Evaluation

The District meets the standard. NOCCCD plans for and allocates appropriate resources for future obligations, including STRS/PERS obligations and retiree health benefits. The District has ensured long term obligations are met through the established irrevocable trust. The actuarial plan is current, prepared as required by appropriate accounting standards, and available on the District website.

Evidence Sources

IIID12.1 – NOCCCD Board Policy 6250- Budget Management

IIID12.2 – Proposed Budget & Financial Report 2015-2016
IIID12.3 – NOCCCD Balance Sheet
IIID12.4 – Compensated Absence Liability
IIID12.5 – Retiree Benefit Actuarial Report
IIID12.6 – Retiree Benefit Webpage
IIID12.7 – NOCCCD Retirement By-laws
IIID12.8 – MOU Irrevocable Trust

IIID13. 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.

Evidence of Meeting the Standard

NOCCCD and Cypress College do not currently have any locally incurred debt.

Analysis and Evaluation

The Standard is not applicable. Since NOCCCD and Cypress College do not have locally incurred debt, the Standard does not apply.

IIID14. 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.

Evidence of Meeting the Standard

NOCCCD ensures that loans, bond revenue, categorical program funding, auxiliary operations revenue, donations, and grants are utilized in accordance with applicable restrictions and guidelines through various control and monitoring processes. Each year the District undergoes an extensive set of compliance and financial audits (IIID14.1 - Audits webpage), which verify the use of restricted funds, and then reports the result of those audits to the Board of Trustees (IIID14.2 – BOT minutes December, 2016). These audits are also available on the District’s website (IIID14.1-Audit webpage).

The largest single source of restricted funding is the issuance of long-term general obligation bonds to be repaid by District property owners. These funds are intended to be used to renovate existing facilities and build new facilities. The District passed Measure X in 2002 for \$239 million (IIID14.3 – Measure X Bond Webpage) and Measure J for \$574 million in 2014 (IIID14.4 - Measure J Bond Webpage), both of which continue to fund facilities modernization projects. A Citizens Oversight Committee (IIID14.5a- Measure X Oversight webpage; IIID14.5b - Measure J Oversight Webpage) reviews the expenditures relating to Measure X and Measure J bonds, a control measure that ensures that District spending is consistent with the purpose and goals of the bond measures, and spending is subject to annual performance and financial audit (IIID14.6 - Measure X Audit; IIID14.7- Measure J Audit).

Auxiliary spending activities at the campus are closely monitored by the Bursar's Office (IID14.8 – Campus Bursar Guidelines). These include Associated Students Accounts, departmental fundraising efforts, etc. that are also monitored through Fund Raising Guidelines (IID14.9 – Fundraising Guidelines) developed for this purpose. The Bursar and Fund Raising Guidelines define the steps that need to be taken to manage fund raising events and justify subsequent expenditures that are subject to similar approval processes as other expenditures (IID14.9 - Fundraising Guidelines). The College's Associated Students (AS) is funded by an optional \$7 per semester student services fee that supports student clubs and co-curricular activities. The AS budget and end of year financial reports are prepared by the VP of Fiscal Affairs in cooperation with the AS officers and oversight from the Advisor to the AS Council (IID14.10 - AS Bylaws).

The Cypress College Foundation raises funds for student scholarships, student emergency assistance, faculty/staff mini-grants, endowments, and other College programs. The Foundation accepts donations on behalf of the College from businesses and individuals. The funds raised are used for a variety of; purposes consistent with the Mission of the Foundation including scholarships and min-grants (IID14.11- Foundation Webpage). The Foundation is subject to an annual audit to ensure that funds are used appropriately and with integrity (IID14.12- Foundation Audit).

Grants fall in two categories, student financial grants and operational grants. Student grants such as Pell and others are controlled by the campus financial aid officers. A student's eligibility for Pell grant is driven by three factors: 1) the Expected Family Contribution on the FAFSA; 2) the cost of attendance; and 3) enrollment status. The Financial Aid Office uses the Pell chart from the Department of Education to determine the student's eligibility. Other Grants are determined based on the student's remaining financial need and enrollment status (IID14.13 – Pham email). The financial information is reviewed by District Accounting, which subsequently arranges for disbursement to students through an outside firm "Higher One." In 2016, the District processed a total of \$57,612,244 in financial aid. Of this amount, \$43,830,556 was from federal Pell Grants and \$3,565,211 from Cal Grants (IID14.14- Banner Financial Aid Report).

Operational grants are funds received by the District to enhance academic development as required by *NOCCCD Board Policy 3280 – Grants* (IID14.15); spending is monitored by the originating department; and expenses reviewed and reconciled by District Accounting. The office of the Vice-Chancellor of Education and Technology makes every effort to coordinate all grant activities and chairs the District Grants and Resource Committee (IID14.16 – District Grant and Resources Committee webpage). District Accounting reconciles all grant expenditures. For fiscal year 2016-17, the proposed budget includes 43 operational grants totaling \$38,077,702 (IID14.17- Operational Grants).

Analysis and Evaluation

The College and District meet the Standard. All financial resources obtained by NOCCCD and Cypress College are used with integrity and in a manner consistent with the intended purpose. Both the District and College have processes in place to ensure monies obtained are utilized in the manner expected by those issuing the funds. The Citizen's Oversight Committee has ensured that Bond Measures X and J have been used responsibly to renovate existing facilities and build new facilities. District and Campus policies and procedures ensure that

auxiliary activities such as Associated Students and other campus clubs engage in fiscally responsible spending and fund-raising efforts and use their funds for student learning experiences. *NOCCCD BP 3280* governs the responsible use of grants. All financial resources are used with integrity and consistent with the Mission and goals of the College.

Evidence Sources

- IIID14.1 – NOCCCD Audits Webpage
- IIID14.2 – NOCCCD Board of Trustees Minutes, December 13, 2016
- IIID14.3 – NOCCCD Measure X Bond Webpage
- IIID14.4 – NOCCCD Measure J Bond Webpage
- IIID14.5a – NOCCCD Measure X Oversight Committee webpage
- IIID14.5b – NOCCCD Measure J Oversight Committee webpage
- IIID14.6 – NOCCCD Measure X Audit
- IIID14.7 – NOCCCD Measure J Audit
- IIID14.8 – Campus Bursar Guidelines
- IIID14.9 – Fund Raising Guidelines
- IIID14.10 – Cypress College Associated Students Bylaws
- IIID14.11 – Cypress College Foundation Webpage
- IIID14.12 – Cypress College Foundation Audit
- IIID14.13 – Chinh Pham, Director of Financial Aid email
- IIID14.14 – Banner Financial Aid Report
- IIID14.15 – NOCCCD Board Policy 3280- Grants
- IIID14.16 – NOCCCD Grant and Resources Committee webpage
- IIID14.17 – awaiting grants evidence

IIID15. The institution monitors and manages student loan default rates, revenue streams, and assets to ensure compliance with federal requirements, including Title IV of the Higher Education Act, and comes into compliance when the federal government identifies deficiencies.

Evidence of Meeting the Standard

All student funding such as student loans, application for federal grants (e.g. Pell Grants), Veterans Educational subsidy, and student auxiliary funds, are handled by Cypress College departments. The campus Financial Aid Office (FAO) handles all financial aid and student loans packaged through the Federal Direct Loan Program (IIID15.1a - Fed. Direct Loan Program; IIID15.1b - FAO PPM). At the end of Fiscal Year 2016, Cypress College administered a total of \$18,362,144 in Pell grants and \$1,648,317 in loans (IIID15.2- Pell Grant and Loan Distributions).

The FAO is responsible for implementing controls to minimize financial aid fraud and therefore monitors student loan default rates. Published 3-year student loan default rates are as follows:

2010	12.8%
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2011	20.3%
2012	18.4%
2013	17.5%

(IIID15.3 - School Default Rates).

An institution with a 3-year default rate of 30% or more for any year must establish a default prevention taskforce to develop and implement a default prevention plan to reduce the rate. This default prevention plan must be submitted and approved by the Department of Education (IIID15.4 – Regulation 34 CFR Part 668 Subpart N). Cypress College’s default rate is currently well below that threshold – 2013 Cohort Rate at 17.5%. Since the current default rate is below this threshold, Cypress College is not required to have a default prevention plan in place. However, in an effort to engage in continuous improvement, the FAO has developed a Default Prevention Plan to further reduce the rate (IIID15.5– FAO Default Prevention Plan).

According to the Default Prevention Plan, Cypress College provides pre-borrowing workshops which inform students about regulations in applying for loans. In addition, Cypress College has a contract with Education Credit Management Corporation (ECMC), a third party vendor, to assist with default management. ECMC tracks and contacts students who are delinquent or at risk of default (IIID15.5 – Default Prevention Plan).

The Director of Financial Aid, in collaboration with the Loan Coordinators, established a loan Policy and Procedures Manual (PPM) to ensure that the College is in compliance with federal regulations (IIID15.1b -FAO Policies and Procedures, p. 40-44). Per the FAO PPM, when loan requests are approved based on maintaining Satisfactory Academic Progress (SAP) and meeting the Cypress College’s loan policy requirements, the Financial Aid Office submits the data to the Department of Education (DOE) for approval (IIID15.1b – FAO PPM, p. 14-22 and 40-44). Loans are then disbursed two times per year, 30 days after census in the Fall and Spring semesters; if a student is receiving a Fall-only or Spring-only loan, the disbursement will come as two separate disbursements within the semester (IIID15.1b - FAO PPM, p. 40-44). If students are not eligible, loans will not be originated, and no disbursements will be issued.

As discussed previously (Standard IIID7), in 2010 and 2011 the College’s Return of Title IV funds was not within the 45-day requirement. Once notified, the Financial Aid Office promptly returned the funds and examined the deficiency in the return procedure. A procedural change was implemented to require a monthly review of calculations and submittals that will prevent this problem from recurring in the future (IIID 15.1b - FAO PPM, p. 68).

Veterans subsidy (paid directly to the educational institution) is another government funding controlled by the college through an assigned Veterans Coordinator. Chapter 33 education benefits, also known as the Post 911, is provided to veterans with active service of at least 90 days after September 10, 2001 for a 40% of total education aid and up to 100% if active service totals three years. Chapter 31 subsidy is for veterans with disability (Vocational Rehabilitation) for pre-employment classes (IIID15.6a- Chapter 31; IIID15.6b- Chapter 33).

The Cypress College Veterans Office administers this funding, which includes verifying veterans educational funding application, working with the Veterans Administration (VA) to fund classes based on established criteria, and performing reconciliations to determine overfunding to be returned to the VA (IIID15.7 - VAO Reconciliation Procedure).

Currently, there are no assets recorded for student revenue streams.

Analysis and Evaluation

The College and District meet the Standard. Cypress College and NOCCCD work together to ensure that both are in compliance with all regulations. The District coordinates all fiscal audits, except for audits conducted by state and federal agencies for College-specific grants and contracts. Audits, including the independent audit of the College's finances, rarely identify a finding. When a finding is identified, it is immediately resolved. The College works in conjunction with the District Office to guarantee compliance on all levels of financial aid administration, both federal and state, and regularly monitors student loan default rates. Though not required, the Financial Aid Office has established a default prevention plan and engaged ECMC, a third-party agency to assist with default management. The Veteran's Office works to ensure appropriate oversight of Veterans' subsidies as well

Evidence Sources

IIID15.1a – Federal Direct Loan Program

IIID15.1b – Cypress College Financial Aid Office Policies and Procedures 2015-16

IIID15.2 – Pell Grant and Loan Distributions

IIID15.3 – School Default Rates

IIID15.4 – CFR34 Part 668 Subpart N

IIID15.5 – Cypress College Financial Aid Office Default Prevention Plan

IIID15.6a – US Department of Veterans Affairs – Chapter 31 Program

IIID15.6b – US Department of Veterans Affairs – Chapter 33

IIID15.7 – Cypress College Veterans Administration Office Reconciliation Procedure

IIID16. Contractual agreements with external entities are consistent with the mission and goals of the institution, governed by institutional policies, and contain appropriate provision to maintain the integrity of the institution and the quality of its programs, services, and operations.

Evidence of Meeting This Standard

NOCCCD contractual practice is authorized by *NOCCCD Board Policy BP 6340 – Bids and Contracts* (IIID16.1), *Board Policy 6600 - Capital Construction* (IIID16.2) *Board Policy 6330 – Purchasing* (IIID16.3) and *Board Policy 6150- Designation of Authorized Signatures* (IIID16.4). The contractual practices are consistent with Education Code Section 81641, 81820, Public Contracts Code 53060, and Title 5 Section 57150.

In order to maintain the quality of NOCCCD programs and services, the two main considerations when entering into a contract are minimizing risks and obtaining the best value, which at times is a challenge. Minimizing risks begins with ensuring contracts (other than ongoing purchase orders for goods and services) undergo legal and indemnity review. The District engages a legal

firm, as necessary, to provide contractual review and contract development (IID16.5 - Contract Processing Guidelines). For indemnity, the District Director of Risk Management, is tasked with conducting the necessary reviews (IID16.6- Risk Mgt. Webpage).

District Purchasing is thorough in obtaining the best value for the District with efforts in researching market alternatives and validating sole source availability. Purchasing personnel are the best resource due to their numerous contacts. While obtaining the best value is paramount, they are also committed to timeliness of providing the goods and services required for projects. To this end, District Purchasing adopted the State sponsored vendor qualification entitled California Uniform Construction Cost Accounting Act (CUPCCAA) program (IID16.7 - CUPCCAA). This program increases the limits before competitive bidding is required and submission to the Board of Trustees for approval. This prequalifies contractors that can be engaged quicker, resulting in earlier completion of projects.

There are numerous contracts that are currently active, including those for professional services - such as Architects and Cafeteria Food Management. In addition, the District maintains contracts with Independent Contractors for whom the Internal Revenue Service (IRS) requires closer scrutiny through the use of a questionnaire (IID16.8a – IC Questionnaire; IID16.8b- IC Guidelines) to determine if the contractor, based on the proposed employment, meets IRS definitions. As is with other contracts, close scrutiny for potential risk to the District is performed. The critical step is the contract content review process. Presently, the District is engaged with numerous contracts. To expedite processing, contracts are sorted into categories per *NOCCCD Contract Processing Guidelines* (IID16.5). This process identifies various departmental personnel best suited to conduct meaningful reviews consistent with the mission and goals of the District. It also allows the contract to be completed on a timely basis. The categories include the following:

Professional Services	Clinical Affiliations
Independent Contractors	Insurance
Service/Maintenance	Environmental, Health & Safety
Public Works	Grants
Systems Technology	Education
Facilities	

District/College contracts include a certain component of control. This includes the right to terminate a contract due to non-compliance of the party of the second part. Terms of the contract that are closely reviewed include provisions that address default and termination, dispute resolution, payment terms, length of the contract including start and end dates (IID16.9 – Termination Guidelines).

Inherent in contracts with external parties includes compliance with federal, state, and local government guidelines. Additionally, contractual practice is consistent with District Strategic Direction # 4 – The District will implement best practices relating to planning including transparent decision-making processes, support of strategic and comprehensive planning activities at the campus and District levels, and the allocation of resources to fund planning priorities (III.D16.10- District SP).

Cypress College maintains multiple contractual agreements. Contracts include those for operation of the Bookstore, operation of a weekend swap meet, rental of college facilities, all services related to bond construction programs (architects, inspectors, utility mapping, etc.), consultant services, and clinical contracts with hospitals for Health Services programs. No contract is entered into unless it supports the institutional goals (IIID16.11- awaiting institutional goals evidence). Most are routine and standard contracts, which were developed by NOCCCD legal counsel. Others are individually prepared by legal counsel to fit a specific situation (e.g. Bookstore operations). The College utilizes the District Contract Processing Guidelines to assist those responsible for processing a contract (IIID16.5- Processing Guidelines).

Analysis and Evaluation

The College and District meet the Standard. In accordance with established NOCCCD Board Policies, contractual agreements with external entities including professional services, independent contractors, Bookstore and Swap meet operations, and other vendors are consistent with the mission and goals of the District and Cypress College. Further, the District Contract Processing Guidelines have established institutional policies and procedures that contain appropriate provisions to maintain the integrity of the District and College. These provisions work to minimize risks, obtain the best value, and maintain the component of control including the right to termination if necessary, as appropriate legal counsel and final approval by the Board is sought when required by established dollar limits.

The District Purchasing Department abides by the standards required under CFR 200.318 - General Procurement Standards. It has its own detailed procurement procedures, follows the conflict of interest guidelines, and practices competitive bidding choosing the best value at the lowest cost whenever possible.

Evidence Sources

- IIID16.1 – NOCCCD Board Policy 6340 Bids and Contracts
- IIID16.2 – NOCCCD Board Policy 6600 Capital Construction
- IIID16.3 – NOCCCD Board Policy 6330 Purchasing/Warehouse
- IIID16.4 – NOCCCD Board Policy 6150 Designation of Authorized Signatures
- IIID16.5 – NOCCCD Contract Processing Guidelines
- IIID16.6 – NOCCCD Risk Management Webpage
- IIID16.7 – California Uniform Construction Cost Accounting Act (CUPCCAA)
- IIID16.8a – Independent Contractor Questionnaire
- IIID16.8b – Independent Contractor Guidelines
- IIID16.9 – Termination Guidelines
- IIID16.10 – NOCCCD Strategic Plan 2014-17
- IIID16.11 – awaiting institutional goals evidence

Plans Arising out of the Self Evaluation Process

Planned Change, Improvement and Innovation	Standard	College Lead	Timeline	Anticipated Outcome
Increase collaboration and solicitation of input in financial decision-making	IID1 IID2	Vice Chancellor, Finance and Facilities Vice President, Administrative Services	Fall 2017	The College and District will work together to increase collaboration and solicitation of input from constituency groups as an intrinsic element of the financial decision-making process.